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Management's Report

To the Shareholders of Pure Energy Services Ltd.

The accompanying consolidated financial statements and all information in the Management's Discussion and Analysis are the responsibility of management and the Board of Directors of the Corporation. The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles and include certain estimates that reflect management's best judgments. The financial and operating information presented in the Management's Discussion and Analysis is consistent with that shown in the consolidated financial statements.

Management maintains an appropriate system of internal controls, which ensure transactions are appropriately authorized and accurately recorded, assets are safeguarded and financial records are properly maintained.

External auditors, appointed by the shareholders, have conducted an examination of the consolidated financial statements and have provided an independent professional opinion. The Audit Committee, appointed by the Board of Directors and comprised of directors who are not officers or employees of the Corporation, has reviewed the consolidated financial statements with management and the external auditors and has reported to the Board of Directors. The Board has approved the financial statements.

J. KEVIN DELANEY
Chief Executive Officer and Chairman

CHRIS N. MARTIN, CA
Vice President, Finance
and Chief Financial Officer

Calgary, Canada
March 15, 2011

Auditors' Report

KPMG LLP
Chartered Accountants
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To the Shareholders of Pure Energy Services Ltd.

We have audited the accompanying consolidated financial statements of Pure Energy Services Ltd. ("the Company"), which comprise the consolidated balance sheets as at December 31, 2010 and 2009, the consolidated statements of earnings (loss) and retained earnings (deficit), comprehensive loss, and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2010 and 2009, and the results of its consolidated operations and its consolidated cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Calgary, Canada
March 15, 2011

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KPMG Canada provides services to KPMG LLP.

Consolidated Balance Sheets

As at December 31,

		2010	2009
Assets			
Current assets			
Cash and cash equivalents		$ 4,599	$ 1,986
Accounts receivable		37,066	23,297
Income taxes receivable		682	532
Inventory	*(Note 5)*	2,523	2,887
Deposits and prepaid expenses		1,835	2,002
Current assets of discontinued operations	*(Note 15)*	63	446
		46,768	31,150
Property and equipment	*(Note 6)*	84,666	123,119
Property held for sale	*(Note 7)*	-	6,266
Future income taxes	*(Note 8)*	22,900	23,224
		$ 154,334	$ 183,759
Liabilities and Shareholders' Equity			
Current liabilities			
Operating loan	*(Note 9)*	$ 3,194	$ -
Accounts payable and accrued liabilities		22,358	15,275
Current portion of long-term debt	*(Note 9)*	2,447	103
Current liabilities of discontinued operations	*(Note 15)*	60	110
		28,059	15,488
Long-term debt	*(Note 9)*	8,355	47,948
		36,414	63,436
Shareholders' equity			
Share capital	*(Note 10)*	121,156	120,913
Contributed surplus	*(Note 10)*	4,644	4,236
Accumulated other comprehensive loss	*(Note 10)*	(4,401)	(2,296)
Deficit		(3,479)	(2,530)
		117,920	120,323
		$ 154,334	$ 183,759
Commitments and contingencies	*(Note 12)*		
Subsequent event	*(Note 18)*		

See accompanying notes to the consolidated financial statements.

Approved by the Board:

HAROLD R. ALLSOPP
Director

JAMES C. SMITH
Director

Consolidated Statements of Earnings (Loss) and Retained Earnings (Deficit)

For the years ended December 31,

(Stated in thousands of Cdn dollars, except per share amounts)		2010	2009
			As restated (Note 15)
Revenue		**$ 175,673**	$ 94,969
Operating expenses		**131,453**	82,436
Gross margin		**44,220**	12,533
Other expenses			
Selling, general and administrative		**22,619**	16,068
Stock-based compensation	*(Note 10)*	**490**	725
Depreciation and amortization		**11,222**	10,280
Impairment of property held for sale	*(Note 7)*	**89**	1,012
Interest on long-term debt		**1,951**	2,134
Other interest		**190**	21
Gain on sale of property and equipment		**(638)**	(1,318)
Foreign exchange (gain) loss		**82**	(470)
Earnings (loss) before income taxes		**8,215**	(15,919)
Income taxes	*(Note 8)*		
Current expense (recovery)		**(150)**	255
Future expense (reduction)		**3,464**	(3,896)
		3,314	(3,641)
Net earnings (loss) from continuing operations		**4,901**	(12,278)
Net loss from discontinued operations	*(Note 15)*	**(5,850)**	(15,866)
Net loss		**(949)**	(28,144)
Retained earnings (deficit), beginning of year		**(2,530)**	25,614
Deficit, end of year		**$ (3,479)**	$ (2,530)
Earnings (loss) per share from continuing operations	*(Note 11)*		
Basic		**$ 0.21**	$ (0.61)
Diluted		**0.20**	(0.61)
Loss per share from discontinued operations	*(Note 11)*		
Basic		**$ (0.25)**	$ (0.79)
Diluted		**(0.24)**	(0.79)
Loss per share	*(Note 11)*		
Basic and diluted		**$ (0.04)**	$ (1.40)

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Comprehensive Income (Loss) and Accumulated Other Comprehensive Income (Loss)

For the years ended December 31,

		2010		2009
Comprehensive income (loss)				
Net loss	$	**(949)**	$	(28,144)
Add (deduct) other comprehensive income (loss) items:				
Foreign currency translation adjustment		**(2,105)**		(5,863)
Unrealized portion of foreign exchange gain		**-**		(605)
		(2,105)		(6,468)
Comprehensive loss	$	**(3,054)**	$	(34,612)

Accumulated other comprehensive income (loss)		2010		2009
Balance, beginning of year	$	**(2,296)**	$	4,172
Unrealized gain on translation of foreign operations during the year		**(2,105)**		(6,468)
Balance, end of year	$	**(4,401)**	$	(2,296)

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Cash Flows

For the years ended December 31,

(Stated in thousands of Cdn dollars)		2010	2009
			As restated (Note 15)
Cash provided by (used in):			
Operating activities			
Net earnings (loss) from continuing operations		$ 4,901	$ (12,278)
Items not involving cash from continuing operations:			
Depreciation and amortization		11,222	10,280
Stock-based compensation		490	725
Impairment of property held for sale	*(Note 7)*	89	1,012
Gain on sale of property and equipment		(638)	(1,318)
Future income tax expense (reduction)		3,464	(3,896)
Unrealized foreign exchange (gain) loss		18	(605)
		19,546	(6,080)
Changes in non-cash working capital balances from continuing operations	*(Note 14)*	(11,880)	7,901
Continuing operations		7,666	1,821
Discontinued operations	*(Note 15)*	7,275	7,233
		14,941	9,054
Investing activities			
Purchases of property and equipment		(15,571)	(5,353)
Proceeds from sale of property and equipment		6,855	5,812
Business acquisition, net of debt acquired	*(Note 4)*	(2,367)	(5,518)
Changes in non-cash working capital balances	*(Note 14)*	(224)	197
Discontinued operations	*(Note 15)*	32,725	31,609
		21,418	26,747
Financing activities			
Borrowings from operating loans		3,194	-
Net repayment of revolving term loans		(47,900)	(29,698)
Proceeds from fixed term loans		12,329	-
Repayment of fixed term loans		(1,327)	(4,317)
Issue of share capital, net of share issuance costs		161	(19)
Discontinued operations	*(Note 15)*	-	(3,675)
		(33,543)	(37,709)
Increase (decrease) in cash and cash equivalents		2,816	(1,908)
Effect of translation on foreign currency cash and cash equivalents		(203)	(307)
Cash and cash equivalents, beginning of year		1,986	4,201
Cash and cash equivalents, end of year		$ 4,599	$ 1,986
Supplemental cash flow information	*(Note 14)*		

See accompanying notes to the consolidated financial statements.

1. Nature of operations

Pure Energy Services Ltd. (the "Corporation") was incorporated under the Alberta Business Corporations Act (the "ABCA") and provides well completion and production related oilfield services to oil and natural gas exploration and development companies in western Canada and the United States ("US") Rocky Mountain, North Dakota and Appalachian Basin regions. Operations in the US are conducted through the Corporation's wholly owned subsidiary Pure Energy Services (USA) Inc. ("Pure USA").

The Corporation's business is seasonal in western Canada as weather conditions affect the ability of equipment to work. Certain areas located in the northern regions are accessible only in the winter months (typically November through March) when the ground is frozen and can support heavy equipment. Conversely, during the spring months (typically April through June), the thawing of snow renders many secondary roads incapable of supporting heavy equipment until the ground is dry. Rain in the spring and summer months can also negatively impact activity levels by lengthening the period it takes the ground to dry. As a result of this seasonality, the Corporation's activity in western Canada is traditionally higher during the first and fourth calendar quarters of the year than in the second and third quarters.

In the US, the Corporation's operations are not affected by seasonality to the same extent as in western Canada, except that the US typically experiences lower activity levels in the winter months compared to the rest of the year due to colder temperatures.

2. Significant accounting policies

a) Basis of presentation

The accompanying consolidated financial statements of the Corporation have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). Amounts presented in the Corporation's consolidated statements and the notes thereto are in Canadian dollars unless otherwise stated.

b) Principles of consolidation

These consolidated financial statements include the accounts of the Corporation and its wholly-owned subsidiaries and partnership from their respective dates of acquisition or incorporation. All intercompany balances and transactions have been eliminated on consolidation in accordance GAAP.

c) Cash and cash equivalents

Cash and cash equivalents include cash and short-term investments with maturities of less than 90 days.

d) Inventory

Inventory consists of supplies, maintenance parts and equipment held for resale all of which are recorded at the lower of cost or net realizable value. Cost is determined on an average or specific item basis (depending on the item).

e) Property and equipment

Property and equipment is stated at cost less accumulated depreciation. Depreciation is calculated at a rate which is expected to depreciate the cost of the asset over its estimated useful life after providing for estimated salvage values.

The depreciation methods and rates applied are as follows:

Asset Category	Method	Rate
Automotive	Declining balance	30%
Buildings	Declining balance	6%
Completion services equipment	Straight-line	7 to 10 years
Drilling rig equipment	Unit of production	based on 3,650 operating days
Drilling rental equipment	Straight-line	10 years
Furniture and fixtures	Declining balance	20% to 30%
Leasehold improvements	Straight-line	5 years

Completion services equipment, drilling rig equipment and drilling rental equipment are depreciated to the estimated residual value of 20% of the original cost.

Assets under construction are stated at cost until they are available for use in operations, at which point they are reclassified into one of the above categories and depreciated accordingly commencing the month after they become available for use in operations.

Management bases the estimate of the useful lives and salvage values of property and equipment on expected utilization, technological change, effectiveness of maintenance programs and historical information. Although management believes the estimated useful lives of the Corporation's property and equipment are reasonable, it is possible that changes could occur which may affect these estimates.

f) Income taxes

Income taxes are calculated using the asset and liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are recognized for the future income tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future income tax assets and liabilities are measured using enacted or substantively enacted income tax rates expected to apply when the asset is realized or the liability settled. The effect on future income tax assets and liabilities of a change in income tax rates is recognized in net earnings during the period that substantive enactment or actual enactment occurs. The computation of the provision for income taxes involves tax interpretations, regulations and legislation that are continually changing.

g) Stock-based compensation plan

The Corporation has a stock-based compensation plan as outlined in Note 10(b). The Corporation accounts for stock options in accordance with the fair value based method whereby the estimated fair value of the option is determined on the grant date using the Black-Scholes option pricing model and is recorded as compensation expense over the period that the stock option vests with a corresponding increase to contributed surplus. The estimated fair value of the option is impacted by: the potential price volatility, the length of the option period and other valuation factors. When stock options are exercised, the proceeds, together with the amounts previously recorded in contributed surplus, are recorded in share capital.

h) Revenue recognition

The Corporation recognizes revenue based on fixed and determinable prices at the time the product is provided or service is performed on a daily, hourly or job basis and when collectability is reasonably assured.

i) Long-lived assets

Long-lived assets, which include property and equipment and property held for sale, are tested for impairment when there is an indication of impairment. Indications of impairment may include factors such as an ongoing lack of profitability and significant changes in technology. When an indication of impairment exists, the Corporation tests for impairment by comparing the carrying value of the asset to the sum of the estimated non-discounted future cash flows expected from the asset's use and eventual disposition. If the carrying value is greater than the estimated non-discounted future cash flows expected from the asset's use and eventual disposition, an impairment loss is recognized to reduce the asset's carrying value to its estimated fair value.

j) Foreign currency translation

The Corporation's US subsidiary is considered financially and operationally independent and is therefore classified as a self-sustaining foreign operation for which the current rate method is used to translate its financial statements. Under this method, revenues and expenses of the subsidiary are translated at the average exchange rate in effect for the month in which the transactions occur, while the subsidiary's assets and liabilities are translated at the current exchange rate in effect at the balance sheet date. Translation gains and losses of the US subsidiary due to the fluctuations in foreign currency exchange rates are deferred on the balance sheet as a separate component of accumulated other comprehensive income (loss) upon consolidation.

k) Earnings (loss) per share

Basic per share data is calculated using the weighted average number of common shares outstanding during the year. Diluted per share data is calculated in accordance with the treasury stock method based on the weighted average number of shares outstanding during the year, adjusted for any additional common shares that would have been issued assuming exercise of all stock options with exercise prices at or below the average market price for the year, offset by the reduction in common shares that would be re-purchased with the exercise proceeds.

l) Use of estimates

These consolidated financial statements are prepared in accordance with GAAP. Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from those estimates.

Key estimates and assumptions made by management in the preparation of the consolidated financial statements include:

- Estimated useful lives and residual values used in the calculation of depreciation and amortization;
- Interpretations of income tax regulations and legislation in the various jurisdictions in which the Corporation and its subsidiary operate which impact the calculation of current and future income taxes;
- Estimated future taxable income used to determine the timing of the reversal of temporary differences in order to calculate current and future income taxes;
- Estimated non-discounted future cash flows used in the tests of impairment for long-lived assets;
- Estimates of the fair value of the Corporation's outstanding stock options used to calculate stock-based compensation expense; and

- Estimated fair values of financial instruments

m) Comparative figures

Certain comparative figures have been reclassified to conform to the presentation adopted in the current year.

3. Adoption of new accounting standards and recent accounting pronouncements

a) The Corporation adopted the following new or revised accounting standards effective January 1, 2010:

- CICA Handbook Section 1582 "Business Combinations", which replaces the previous business combinations standard. This standard requires that the identifiable assets acquired and liabilities assumed in a business combination be measured at their estimated fair value as of the date of acquisition. The standard also requires that costs related to the acquisition, such as legal fees, advisory fees and finders' fees, be recorded as expenses in the period in which they are incurred. The adoption of this standard had no material impact on the Corporation's financial statements for the year ended December 31, 2010. The accounting for business combinations entered into after January 1, 2010 is disclosed in Note 4.

- CICA Handbook Section 1601 "Consolidated Financial Statements", which, together with Section 1602 "Non-Controlling Interests", replaces the former "Consolidated Financial Statements" Section 1600. This revised standard establishes the requirements for the preparation of consolidated financial statements. The adoption of this standard had no impact on the Corporation's consolidated financial statements for the years ended December 31, 2010 and 2009.

- CICA Handbook Section 1602 "Non-Controlling Interests", which establishes standards for accounting for a non-controlling interest in a subsidiary in the consolidated financial statements subsequent to a business combination. This standard requires that non-controlling interests in subsidiaries be presented as a separate component of shareholders' equity. The standard also requires that net earnings and components of other comprehensive income be attributed to both the parent and non-controlling interests. The adoption of this standard had no impact on the Corporation's consolidated financial statements for the years ended December 31, 2010 and 2009.

4. Business Acquisitions

a) On April 20, 2010, the Corporation purchased the US cased hole electric wireline assets and operations of Cathedral Energy Services Ltd. ("Cathedral US assets and operations") in exchange for the Corporation's drilling equipment rental assets and operations ("Drilling Equipment Rental division") and a cash payment of $2,367. The acquisition was completed in order to further expand the Corporation's wireline operations in the US. The Cathedral US assets and operations consisted of ten cased hole electric wireline units, four crane trucks and various wireline logging tools. The assets and operations acquired were primarily located in the states of North Dakota, Wyoming and Oklahoma.

This purchase has been accounted for using the acquisition method as required by Section 1582 "Business Combinations" of the CICA Handbook, whereby the identifiable assets acquired and liabilities assumed are recognized at their estimated fair values as of the date of acquisition. Under the acquisition method, goodwill is recognized if the consideration paid is greater than the estimated fair value of the net assets acquired. Where the consideration paid is less than the estimated fair value of the net assets acquired a gain is recognized in net earnings in the period in which the acquisition occurred. No liabilities were assumed as part of the transaction nor was any goodwill or gain recognized as a result of the acquisition.

The estimated acquisition date fair values for the consideration paid and the assets acquired were as follows:

Consideration paid:		
Cash	$	2,367
Drilling rental equipment		4,899
Drilling rental inventory		594
	$	7,860
Assets acquired:		
Wireline trucks and equipment	$	7,459
Wireline inventory		401
	$	7,860

The estimated acquisition-date fair value of the intangible assets acquired is nil.

The assets and operations acquired earned revenue of $4,039 and incurred an estimated net loss before income taxes of $43 from the April 20, 2010 acquisition date to December 31, 2010. The revenue and net loss are included in the consolidated revenue and net earnings before income taxes for the Corporation for the year ended December 31, 2010.

It is estimated that consolidated revenue from continuing operations would have been approximately $177,839 for the year ended December 31, 2010, had the acquisition occurred on January 1, 2010, while the impact on net earnings before income taxes is not determinable.

b) On June 22, 2009, the Corporation acquired all of the issued and outstanding shares of Canadian Sub-Surface Energy Services Corp. ("CanSub"). CanSub was a Calgary-based oilfield services company that provided well completion services across western Canada and in the United States' North Dakota region. The acquisition was completed pursuant to a plan of arrangement (the "Arrangement") under the ABCA.

Pursuant to the Arrangement, the Corporation acquired all of the outstanding shares of CanSub at an exchange ratio of 0.3017 of the Corporation's shares for each outstanding CanSub share resulting in a total of 7,835,216 of the Corporation's shares being issued under the Arrangement priced at a value of $1.84 per share. The $1.84 per share value represents the weighted average trading price for the five trading days during the period of May 4, 2009 to May 8, 2009, representing the two days prior to announcement of the acquisition, the announcement date and the two days following the announcement.

The acquisition was accounted for using the purchase method whereby the purchase price was allocated to the assets acquired and liabilities assumed based on their estimated fair values. The results of CanSub's operations are included in the Corporation's consolidated financial statements from the acquisition date and are reported in the Corporation's Completion Services segments in Canada and the US. The purchase price was allocated to the assets acquired and liabilities assumed as follows:

Purchase price:		
Issue of common shares	$	14,417
Transaction costs		3,681
	$	18,098
Assets acquired and liabilities assumed:		
Accounts receivable	$	6,571
Deposits and other		466
Inventory		440
Property and equipment		18,928
Future income taxes		18,015
Operating loan		(1,843)
Accounts payable and accrued liabilities		(3,647)
Long-term debt and capital lease obligations		(20,832)
	$	18,098

5. Inventory

		2010		2009
Supplies and maintenance parts	$	**2,252**	$	2,623
Equipment held for resale		**271**		264
	$	**2,523**	$	2,887

Inventory expensed through operating expenses in continuing operations amounted to $13,207 (2009 - $7,080).

6. Property and equipment

2010

	Cost	Accumulated Depreciation	Net Book Value
Completion services equipment	$ 114,947	$ 40,360	$ 74,587
Buildings	5,366	765	4,601
Furniture and fixtures	7,938	6,054	1,884
Automotive	4,910	3,176	1,734
Land	234	-	234
Leasehold improvements	1,323	706	617
Assets under construction	1,009	-	1,009
	$ 135,727	$ 51,061	$ 84,666

2009

	Cost	Accumulated Depreciation	Net Book Value
Completion services equipment	$ 99,069	$ 33,493	$ 65,576
Drilling rig and rental equipment	53,366	5,960	47,406
Buildings	3,689	469	3,220
Furniture and fixtures	7,748	5,221	2,527
Automotive	4,868	3,377	1,491
Land	1,872	-	1,872
Leasehold improvements	888	517	371
Assets under construction	656	-	656
	$ 172,156	$ 49,037	$ 123,119

7. Property held for sale

As a result of the acquisition of CanSub in June 2009 (Note 4), three field office facilities were identified as redundant. Management committed to a plan to sell these properties and classified them as held for sale at December 31, 2009. An impairment loss of $1,012 was recognized on one of the properties classified as held to sale for the year ended December 31, 2009.

The Corporation completed the sale of two of these properties in August 2010, including the property for which an impairment had been recorded in 2009, for net proceeds of $5,424 resulting in the recognition of a gain on sale of $759.

During December 2010, as a result of the increased industry activity levels in western Canada, the Corporation's management changed its intentions to sell the remaining property, deciding instead to utilize the facility in the Corporation's Canadian Completions Services segment. The property has therefore been

reclassified as property and equipment at December 31, 2010, and an impairment loss of $89 has been recognized.

		Cost	Accumulated Depreciation	Net Book Value
Property held for sale	**December 31, 2010**	**$ -**	**$ -**	**$ -**
	December 31, 2009	$ 6,866	$ 600	$ 6,266

8. Income taxes

Income tax expense from continuing operations differs from the amount that would be computed by applying the effective Canadian federal and provincial statutory income tax rates of 28.27% (2009 – 29.14%) to earnings (loss) before income taxes and is reconciled as follows:

	2010	2009
Earnings (loss) before income taxes from continuing operations	**$ 8,215**	$ (15,919)
Statutory income tax rate	**28.27%**	29.14%
Expected income tax expense (reduction) for continuing operations	**2,322**	(4,639)
Non-deductible expenses	**957**	832
Non-deductible stock-based compensation expense	**138**	211
Non-taxable portion of capital gains	**(101)**	(127)
Additional income tax expense (reduction) in higher rate foreign jurisdictions	**(24)**	(1,206)
Increase (reduction) of future income tax balances due to substantively enacted income tax rate changes	**(538)**	488
Adjustments related to amended tax returns	**543**	585
Rate difference related to foreign exchange gains and losses	**-**	440
Other	**17**	(225)
	$ 3,314	$ (3,641)

The reconciliation above includes a reduction of $538 (2009 - $488 increase) related to the effect of changes in substantively enacted income tax rates. This amount reflects the impact of changes to the timing of when the Corporation expects certain temporary differences to reverse, as well as the differences between the current statutory rates used in the reconciliation and the expected future rates at which the future income tax asset is recorded.

The income tax effect of temporary differences that give rise to the future income tax assets and liabilities is presented below:

		2010		2009
Future income tax assets				
Non-capital losses	$	**20,983**	$	22,204
Expenditures not recognized for tax until cash paid		**9,539**		8,664
Share issue costs		**148**		695
Future income tax liabilities				
Property and equipment		**(7,770)**		(8,339)
Net future income tax asset	$	**22,900**	$	23,224

The Corporation has non-capital losses that can be used to reduce future taxable income in Canada of $64,787 (2009 – $71,679) and non-capital losses and deferred expense pools that can be used to reduce future taxable income in the US of $38,315 (2009 – $33,443). These losses and deferred expense pools, which are subject to review and assessment by the related taxation authorities, expire as follows:

		Canada		US
2029	$	63,482	$	10,579
2030		1,305		1,280
No expiry		-		26,456
	$	64,787	$	38,315

9. Debt facilities

The table below summarizes the long-term debt amounts outstanding at December 31:

		2010		2009
Cdn Revolving Facility	$	**-**	$	47,900
Capital lease facility		**60**		151
US Term Loan		**10,742**		-
		10,802		48,051
Less: current portion		**2,447**		103
	$	**8,355**	$	47,948

Principal payments required subsequent to December 31, 2010 are as follows:

2011	$	**2,447**
2012		**2,387**
2013		**2,387**
2014		**2,387**
2015		**1,194**
Total	$	**10,802**

Canadian debt facilities

The Corporation has a credit agreement with a Canadian lender to provide a secured $15,000 demand revolving operating credit facility ("Cdn Operating Facility"), a secured $25,000 one year extendible revolving credit facility ("Cdn Revolving Facility") and a secured $400 capital lease facility. The Cdn Revolving Facility limit was reduced from $50,000 to $25,000 during 2010 at the request of the Corporation with all other material terms of the agreement remaining the same.

The Cdn Operating Facility, Cdn Revolving Facility and capital lease facility are all secured by a general security agreement creating a first fixed charge over the present and after acquired personal property of the Corporation.

Borrowings under the Cdn Operating Facility bear interest at either: (i) the lender's prime rate plus 1.50%, or (ii) bankers' acceptance rates plus 2.75%. Borrowings under the Cdn Revolving Facility bear interest at either: (i) the lender's prime rate plus 2.50%, or (ii) bankers' acceptance rates plus 4.00%.

Borrowings available under the Cdn Revolving Facility are limited to 50% of the net book value of property and equipment owned in Canada, excluding any assets subject to other encumbrances, up to the maximum limit of $25,000. Based on the calculated margin at December 31, 2010, the amount available on the Cdn Revolving Facility was $25,000 of which $nil was drawn.

Borrowings under the Cdn Operating Facility are limited to 75% of marginable accounts receivable in Canada, less certain priority claims and outstanding letters of credit, up to the maximum limit of $15,000. Based on the calculated margin at December 31, 2010, the amount available under the Cdn Operating Facility was $15,000, of which $3,194 was drawn.

The maturity date of the Cdn Revolving Facility is June 30, 2011. If the lender does not extend the Revolving Facility at that date, then any amounts then drawn under the facility will convert to a 12 month term loan with 25% of the outstanding balance repayable in equal quarterly installments over the one year period and the remaining balance due June 30, 2012.

US debt facilities

On June 16, 2010, the Corporation's US subsidiary, Pure USA, entered into an agreement with a US based lender to provide aggregate credit facilities of USD $15,000 comprised of: (i) a USD $12,000 term loan ("US Term Loan") repayable in equal monthly principal amounts plus interest, over 5 years, and secured by equipment owned by Pure USA; (ii) a USD $2,500 revolving loan ("US Revolving Loan") secured primarily by Pure USA's accounts receivable and inventory; and (iii) a USD $500 credit card facility. Any amounts drawn on the US Revolving Loan are not repayable until June 16, 2012. The outstanding balance at that date is immediately repayable unless extended by the lender. Borrowings under both the US Term Loan and the US Revolving Loan bear interest at the US London Interbank Offered Rate ("LIBOR") plus 3.5%, subject to an interest floor rate of 4.50%. The US Term Loan was fully drawn at December 31, 2010, while $nil was drawn from the US Revolving Loan at that date.

As at December 31, 2010, the Corporation was in compliance with all debt covenants under both the Canadian and US credit agreements.

10. Share capital

a) Share capital and equity

The Corporation is authorized to issue an unlimited number of common shares and an unlimited number of preferred shares, issuable in series.

Changes in the Corporation's equity accounts for the years ended December 31, 2010 and 2009, including common shares issued and outstanding, are as follows:

	Common Shares					
	Number (000's)	Amount	Contributed Surplus	AOCI*	Retained Earnings (Deficit)	Total
December 31, 2008	**15,905**	**$ 106,510**	**$ 3,511**	**$ 4,172**	**$ 25,614**	**$ 139,807**
Issue of shares for CanSub acquisition	7,835	14,417	-	-	-	14,417
Share issue and other costs		(14)	-	-	-	(14)
Stock-based compensation		-	725	-	-	725
Net loss		-	-	-	(28,144)	(28,144)
Other comprehensive loss		-	-	(6,468)	-	(6,468)
December 31, 2009	**23,740**	**$ 120,913**	**$ 4,236**	**$ (2,296)**	**$ (2,530)**	**$ 120,323**
Shares issued under option plan	**90**	**243**	**(82)**	**-**	**-**	**161**
Stock-based compensation	**-**	**-**	**490**	**-**	**-**	**490**
Net loss	**-**	**-**	**-**	**-**	**(949)**	**(949)**
Other comprehensive loss	**-**	**-**	**-**	**(2,105)**	**-**	**(2,105)**
December 31, 2010	**23,830**	**$ 121,156**	**$ 4,644**	**$ (4,401)**	**$ (3,479)**	**$ 117,920**

** AOCI represents Accumulated other comprehensive income (loss)*

b) Stock options

The Corporation has reserved 2,383,000 common shares at December 31, 2010 (2009 – 2,374,000) for issue under its stock option plan for officers, directors, employees, and service providers. The maximum number of shares reserved for issue under the stock option plan at any time is limited to 10% of the total number of outstanding common shares.

Options to purchase common shares may be granted by the Board of Directors to officers, directors, employees, and service providers of the Corporation. One third of the options vest on each of the first, second, and third year anniversary dates of the grant date on a cumulative basis and have a maximum term of four years (other than 4,000 options which have a maximum term of ten years).

Changes in the Corporation's stock options for the years ended December 31, 2010 and 2009 are as follows:

	2010		2009	
	Number of Options	**Weighted Average Exercise Price**	Number of Options	Weighted Average Exercise Price
	(000's)	*($)*	*(000's)*	*($)*
Outstanding				
Beginning of year	**1,387**	**$ 1.80**	1,381	$ 7.41
Granted	**577**	**3.03**	1,651	1.78
Exercised	**(90)**	**1.78**	-	-
Forfeited	**(171)**	**1.86**	(642)	5.54
Cancelled	**-**	**-**	(1,003)	7.10
End of year	**1,703**	**$ 2.21**	1,387	$ 1.80
Exercisable				
End of year	**349**	**$ 1.85**	4	$ 8.00

The following table summarizes stock options outstanding at December 31, 2010:

	Options Outstanding			**Options Exercisable**	
	Number Outstanding	Weighted Average Remaining Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
Range of exercise prices	*(000's)*	*(Years)*	*($)*	*(000's)*	*($)*
$1.77 to $2.00	1,136	2.55	$ 1.78	340	$ 1.78
$2.01 to $3.00	114	3.02	2.31	5	2.05
$3.01 to $4.00	413	3.75	3.15	-	-
$4.01 to $5.00	36	3.92	4.21	-	-
$5.01 to $8.00	4	4.75	8.00	4	8.00
	1,703	2.90	$ 2.21	349	$ 1.85

During July 2009, 510,293 options held by non-insiders of the Corporation were cancelled and 461,500 new options were re-issued with an exercise price of $1.77. An additional expense of $103 was recorded for this transaction. Also, during July 2009, 461,000 options were issued to insiders of the Corporation with an exercise price of $1.77. During November 2009, 437,500 options held by insiders of the Corporation were cancelled and an additional expense of $273 was recorded for this transaction.

During 2010, 214,000 options were issued to insiders of the Corporation at an exercise price of $3.15.

The Corporation calculates the fair value of its stock options at the grant date using the Black-Scholes option pricing model.

The following table outlines the assumptions and resulting fair value amounts for options granted:

	2010	2009
Significant assumptions used to determine the fair value of options on the respective grant dates:		
Risk free interest rate	**1.92%**	2.11%
Expected life (years)	**4.0**	4.0
Vesting period (years)	**3.0**	3.0
Expected dividend	**Nil**	Nil
Expected share price volatility*	**71.77%**	70.51%
Average calculated fair value of options granted	**$ 1.58**	$ 0.91

* *Based on historical volatility*

11. Earnings (loss) per share

Earnings (loss) per common share is calculated using the weighted average number of common shares outstanding during the period.

(000's)	2010	2009
Weighted average number of common shares	**23,757**	20,048
Diluted weighted average number of common shares	**24,360**	20,048

For the year ended December 31, 2010 111,644 (2009 – 1,387,000) options were excluded from the calculation of diluted weighted average number of common shares, as the effect was anti-dilutive.

12. Commitments and contingencies

a) Commitments:

In addition to the repayments under the existing debt facilities, the Corporation is committed to payments under various operating leases for shop facilities, automobiles, office space and office equipment. The Corporation has also entered into purchase commitments in order to complete the assets under construction at December 31, 2010. Annual minimum lease payments and purchase commitments subsequent to December 31, 2010 are as follows:

2011	$ 8,774
2012	6,527
2013	6,087
2014	4,579
2015 and thereafter	9,732
	$ 35,699

b) Contingencies:

The Corporation, through the performance of its services, is sometimes named as a defendant in litigation. The nature of these claims is usually related to personal injury or the delivery of services. The Corporation maintains a level of insurance coverage deemed appropriate by management in those areas which can be

insured. Management believes that the outcome of legal and other claims currently filed against the Corporation are not determinable and that the amounts of these claims are not material.

13. Segmented information

The Corporation's continuing operations are divided into three separate reporting segments: Canadian Completion Services ("CCS"), US Completion Services ("USCS") and Corporate Administration ("Corporate") which operate in two geographic areas (Canada and the US).

The CCS segment conducts operations in western Canada and primarily provides wireline and well testing services which are performed on new and producing oil and natural gas wells for exploration and development companies.

The USCS segment conducts operations in the Rocky Mountain, North Dakota and Appalachian Basin regions of the US and provides wireline and well testing services which are performed on new and producing oil and natural gas wells for exploration and development companies. The Corporation's fracturing operations (which were formerly conducted in this segment) were sold in the third quarter of 2009 and are included in discontinued operations (Note 15).

The Corporate segment primarily includes corporate administration and other costs not specifically attributable to the CCS and USCS segments.

The Corporation previously reported a Drilling segment as part of continuing operations which included the Drilling Equipment Rental division and Drilling Rig division. As a result of the sale of these two divisions during 2010 (Note 15), the financial results for the Drilling segment have been classified as discontinued operations for the years ended December 31, 2010 and 2009.

The segmented amounts for the years ended December 31, 2010 and 2009 are as follows:

2010

	CCS	Drilling	USCS	Corporate	Total
Continuing operations:					
Revenue	$ 114,749	$ -	$ 60,924	$ -	$ 175,673
Earnings (loss) before income taxes	11,751	-	3,102	(6,638)	8,215
Interest Expense[1]	1,849	-	292	-	2,141
Depreciation and amortization[2]	6,329	-	4,349	544	11,222
Impairment of property held for sale	89	-	-	-	89
Capital expenditures	9,606	-	5,965	-	15,571
Discontinued operations:					
Earnings (loss) before income taxes	-	(7,870)	-	-	(7,870)
Total assets	$ 92,499	$ 63	$ 58,974	$ 2,798	$ 154,334

2009

	CCS	Drilling	USCS	Corporate	Total
Continuing operations:					
Revenue	$ 56,708	$ -	$ 38,261	$ -	$ 94,969
Earnings (loss) before income taxes	(12,338)	-	1,778	(5,359)	(15,919)
Interest expense[1]	2,155	-	-	-	2,155
Depreciation and amortization[2]	6,260	-	3,601	419	10,280
Impairment of property held for sale	1,012	-	-	-	1,012
Capital expenditures	1,515	-	3,777	61	5,353
Discontinued operations:					
Earnings (loss) before income taxes	-	(1,277)	(21,404)	-	(22,681)
Total assets	$ 75,810	$ 58,479	$ 48,184	$ 1,286	$ 183,759

The Corporation operates in the following geographic locations:

	Canada		US		Total	
	2010	2009	**2010**	2009	**2010**	2009
Continuing operations:						
Revenue	**$114,749**	$ 56,708	**$60,924**	$38,261	**$ 175,673**	$ 94,969
Earnings (loss) before income taxes	**5,113**	(17,697)	**3,102**	1,778	**8,215**	(15,919)
Discontinued operations:						
Earnings (loss) before income taxes	**(7,870)**	(1,277)	-	(21,404)	**(7,870)**	(22,681)
Property and equipment[2]	**47,671**	94,657	**36,995**	28,462	**84,666**	123,119

(1) *Interest expense is composed of Interest on long-term debt and Other interest*

(2) *Property and equipment and related depreciation and amortization expense are allocated to geographic locations and segments based on which segment is utilizing the equipment and not based on which segment has ownership of the equipment*

14. Supplemental cash flow information

	2010	2009
		As restated (Note 15)
Interest paid	$ 2,037	$ 2,155
Income taxes paid	3	1,127
Components of change in non-cash working capital balances:		
Accounts receivable	(13,735)	19,772
Income taxes receivable	(154)	(257)
Inventory	132	2,157
Deposits and prepaid expenses	108	335
Accounts payable and accrued liabilities	5,580	(6,407)
	(8,069)	15,600
Less: Change in non-cash working capital related to investing activities	(224)	197
Less: Change in non-cash working capital related to discontinued operations *(Note 15)*	4,035	7,502
Net Change in non-cash working capital from operating activities – continuing operations	$ (11,880)	$ 7,901

15. Discontinued operations

On September 23, 2010, the Corporation entered into a definitive agreement to sell its Drilling Rig division to a private investment group for net proceeds of $33,486. This transaction closed October 1, 2010, with the Corporation receiving $30,986 of the net proceeds in cash with the remaining $2,500 in the form of a note receivable from the purchaser. Full payment of the note receivable was received prior to December 31, 2010.

As a result of the net proceeds being less than the carrying value of the Drilling Rig property and equipment sold, the Corporation recognized an impairment of $9,867.

The results for the Drilling Rig division, combined with the results of the Corporation's Drilling Equipment Rental division, which was sold effective April 20, 2010 (Note 4), have been classified as discontinued operations under the heading "Drilling" for the years ended December 31, 2010 and 2009. The results for the Drilling Rig division and Drilling Equipment Rental division had previously been reported as part of continuing operations in the Drilling segment (Note 13).

On August 14, 2009, the Corporation sold its well fracturing assets and associated inventory to a competitor for net proceeds of $38,800. The well fracturing operations, which had been previously reported in the USCS segment (Note 13), have been classified as discontinued operations for the year ended December 31, 2009.

The net earnings (loss) from discontinued operations for the years ended December 31, 2010 and 2009 were as follows:

2010

	Drilling	Well Fracturing	Total
Revenue	$ 21,658	$ -	$ 21,658
Operating expenses	17,388	-	17,388
Gross margin	4,270	-	4,270
Other expenses			
Selling, general and administrative	1,026	-	1,026
Depreciation and amortization	1,418	-	1,418
Impairment of property and equipment	9,867	-	9,867
Other interest	4	-	4
Gain on sale of property and equipment	(175)	-	(175)
Loss before income taxes	(7,870)	-	(7,870)
Future income tax reduction	(2,020)	-	(2,020)
Net loss	$ (5,850)	$ -	$ (5,850)

2009

	Drilling	Well Fracturing	Total
Revenue	$ 19,725	$ 21,233	$ 40,958
Operating expenses	17,043	21,478	38,521
Gross margin	2,682	(245)	2,437
Other expenses			
Selling, general and administrative	1,986	720	2,706
Depreciation and amortization	1,863	2,670	4,533
Impairment of property and equipment	-	16,925	16,925
Impairment of intangible assets and goodwill	247	-	247
Other interest	-	-	-
(Gain) loss on sale of property and equipment	(137)	844	707
Loss before income taxes	(1,277)	(21,404)	(22,681)
Future income tax reduction	(297)	(6,518)	(6,815)
Net loss	$ (980)	$ (14,886)	$ (15,866)

The cash flows from discontinued operations for the years ended December 31, 2010 and 2009 are as follows:

2010

	Drilling	Well Fracturing	Total
Cash provided by (used in)			
Operating activities			
Net loss	$ (5,850)	$ -	$ (5,850)
Items not involving cash:			
Depreciation and amortization	1,418	-	1,418
Impairment of property and equipment	9,867	-	9,867
Gain on sale of property and equipment	(175)	-	(175)
Future income tax reduction	(2,020)	-	(2,020)
	3,240	-	3,240
Changes in non-cash working capital balances	3,646	389	4,035
	6,886	389	7,275
Investing activities			
Purchases of property and equipment	(1,148)	-	(1,148)
Proceeds on sale of property and equipment	33,873	-	33,873
	32,725	-	32,725
Increase in cash	$ 39,611	$ 389	$ 40,000

2009

	Drilling	Well Fracturing	Total
Cash provided by (used in)			
Operating activities			
Net loss	$ (980)	$ (14,886)	$ (15,866)
Items not involving cash:			
Depreciation and amortization	1,863	2,670	4,533
Impairment of property and equipment	-	16,925	16,925
Impairment of intangible assets and goodwill	247	-	247
(Gain) loss on sale of property and equipment	(137)	844	707
Future income tax reduction	(297)	(6,518)	(6,815)
	696	(965)	(269)
Changes in non-cash working capital balances	821	6,681	7,502
	1,517	5,716	7,233
Investing activities			
Purchases of property and equipment	(981)	(3,305)	(4,286)
Proceeds on sale of property and equipment	590	35,305	35,895
	(391)	32,000	31,609
Financing activities			
Repayment of fixed term loans	-	(3,675)	(3,675)
Increase in cash	$ 1,126	$ 34,041	$ 35,167

The assets and liabilities of the discontinued operations as at December 31, 2010 are comprised of the following:

	Drilling	Well Fracturing	Total
Current assets			
Accounts receivable	$ 52	$ -	$ 52
Deposits and prepaid expenses	11	-	11
Total assets	$ 63	$ -	$ 63

	Drilling	Well Fracturing	Total
Current liabilities			
Accounts payable and accrued liabilities	$ 4	$ 56	$ 60
Total liabilities	$ 4	$ 56	$ 60

16. Capital disclosures

The Corporation's capital structure is comprised of long-term debt plus shareholders' equity.

The Corporation's objectives when managing capital are: i) to maintain the necessary capital to sustain future development of the business, with consideration for the cyclical nature of the oilfield services sector; ii) to maintain compliance with the financial covenants related to its debt agreements; iii) to maintain a strong capital base so as to maintain investor, creditor and market confidence in the Corporation; and iv) to maintain a flexible capital structure which optimizes the cost of capital at an acceptable risk level while providing an appropriate return to its shareholders.

To assist in the management of its capital, the Corporation prepares annual operating and capital budgets which are updated as necessary depending on varying factors including changes in industry conditions. In order to maintain or adjust its capital structure, the Corporation may, at its discretion, issue new shares, issue new debt, or replace existing debt with new debt having different characteristics.

The Corporation monitors capital using a key financial metric based on long-term debt as a percentage of total capitalization. Capitalization is not a recognized measure under GAAP and, therefore, is unlikely to be comparable to similar measures of other companies. The Corporation aims to maintain this ratio at less than 30%, calculated as follows:

		2010		2009
Long-term debt	$	**10,802**	$	48,051
Shareholders' equity (net of future tax asset)		**95,020**		97,099
Total capitalization	$	**105,822**	$	145,150
Long-term debt to Total capitalization ratio		**10%**		33%

During 2010, the Corporation significantly reduced its long-term debt as a result of the sale of the Drilling Rig division (Note 15). Due to the resulting change in the composition of the Corporation's capital structure, and to be more comparable to its peers within the industry, management has revised the financial metric used to monitor the Corporation's capital. The revised metric (as shown above) is long-term debt as a percentage of capitalization. In previous years the Corporation had used a metric calculated as net debt (i.e. long-term portion of long-term debt less working capital) as a percentage of capitalization. The Corporation may be required to increase this ratio from time to time as a result of expansion activities or giving effect to the cyclical nature of the business.

The Corporation's management monitors its credit facilities on an ongoing basis and was in compliance with all debt covenants at December 31, 2010.

17. Financial risk management and financial instruments

a) Financial risk management

The information below relates to the Corporation's exposure to the following financial risks, and includes discussion of the Corporation's objectives, policies and processes for measuring and managing these risks:

- Credit risk
- Liquidity risk
- Market risk

The Corporation's risk management policies are established to identify and analyze the risks faced by the Corporation, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions related to the Corporation's activities.

Credit risk

Credit risk is the risk of financial loss to the Corporation if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Corporation's trade receivables from customers.

The Corporation's exposure to credit risk in trade receivables is influenced mainly by the individual characteristics of each customer. A substantial portion of the accounts receivable are with customers who are dependent upon the oil and gas industry, and are subject to normal industry credit risks. The Corporation does not typically obtain collateral from its customers; however, the Corporation does have the ability to place a lien on a customer's well in the event of non-payment.

Under the Corporation's credit policy, each new customer is analyzed individually for credit worthiness before the Corporation's standard payment and delivery terms are offered. The Corporation's review process includes review of trade references, financial statements and debt analysis (bank references) in addition to input from management. Extending credit to existing customers will continue as long as these customers have an acceptable payment history and continuing acceptable financial condition. The Corporation will not extend credit to those customers that fail to meet the Corporation's benchmark credit tests and will only transact with these customers on a prepayment basis.

The Corporation's trade receivables at December 31, 2010 and 2009 are aged as follows:

2010

	0 to 30 days	31 to 60 days	61 to 90 days	91 to 120 days	>120 days	Total
Trade Receivables	**$ 18,368**	**$ 13,676**	**$ 3,059**	**$ 1,404**	**$ 611**	**$ 37,118**
	49%	**37%**	**8%**	**4%**	**2%**	**100%**

2009

	0 to 30 days	31 to 60 days	61 to 90 days	91 to 120 days	>120 days	Total
Trade Receivables	$ 13,887	$ 7,362	$ 1,782	$ 273	$ 439	$ 23,743
	58%	31%	8%	1%	2%	100%

The maximum exposure to credit risk is the carrying amount of the Corporation's trade receivables at December 31, 2010 of $37,118 (2009 - $23,743). The Corporation establishes an allowance for doubtful accounts that represents an estimate of incurred losses in respect of trade and other receivables. Customers with balances over 90 days are reviewed by management on a weekly basis and collection efforts are focused on these accounts. For balances over 120 days, an allowance is recorded if collection is deemed to be at risk.

The Corporation has exposure to one major customer in both its Canadian and US operations. The customer is a large public Canadian oil and natural gas exploration company. For the year ended December 31, 2010, 9% or $18,633 (2009 - 22% or $30,708) of the Corporation's total revenue (from continuing and discontinued operations) was derived from this customer. As at December 31, 2010, $2,470 (2009 – $1,966) of the Corporation's accounts receivable balance included amounts outstanding from this customer.

During 2010, the Corporation increased its allowance for doubtful accounts receivable by $190 (2009 - $500), of which $190 (2009 - $223) related to the provision for bad debts and $nil (2009 - $277) related to allowances assumed as part of business acquisitions (Note 4). The Corporation wrote off $390 (2009 - $314) of customers' accounts deemed uncollectible against the allowance for doubtful accounts during 2010.

Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they become due. The Corporation's approach to managing liquidity is to ensure, as much as possible, that it will always have sufficient cash and cash equivalents to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Corporation's reputation.

In managing liquidity risk, the Corporation prepares annual operating and capital expenditure budgets, which are approved by the Corporation's Board of Directors and regularly monitored and updated as considered necessary. The Corporation utilizes authorizations for capital expenditures to further manage its capital expenditure program.

Management believes that the Corporation has sufficient access to capital through internally generated cash flows and its available credit facilities to meet its financial obligations. The Corporation maintains a $15,000 Cdn Operating Facility, a $25,000 Cdn Revolving Facility and a USD $2,500 US Revolving Loan (Note 9) of which $11,806, $25,000 and $2,487 respectively, were available but undrawn at December 31, 2010. In addition to these credit facilities, the Corporation also had cash and accounts receivables as at December 31, 2010, in the amounts of $4,599 and $37,118 respectively, for a total of $81,010 available to fund the cash outflows relating to its financial liabilities.

The following is a summary of the contractual maturities of financial liabilities, including interest payments based on interest rates in effect at the balance sheet date, at December 31, 2010:

	Carrying Amount	Contractual Cash Flows	6 Months Or Less	6 to 12 Months	1 to 3 Years	4 to 5 Years	After 5 Years
Accounts payable and accrued liabilities	$ 22,418	$ 22,418	$ 22,418	$ -	$ -	$ -	$ -
Cdn Operating Facility	3,194	3,194	3,194	-	-	-	-
Cdn Revolving facility*	-	-	-	-	-	-	-
US Revolving facility*	-	-	-	-	-	-	-
US Term loan*	10,742	11,844	1,423	1,396	5,317	3,708	-
Capital lease facilities*	60	61	61	-	-	-	-
Purchase commitments	-	1,166	1,166				
Operating leases*	-	34,533	4,022	3,586	12,614	8,189	6,122
Total	36,414	73,216	32,284	4,982	17,931	11,897	6,122

**Contractual cash flows include principal plus interest*

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and commodity prices, will affect the Corporation's earnings or the value of its financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the returns.

CURRENCY RISK

As the Corporation operates in Canada and the US, fluctuations in the exchange rate between the US/Canadian dollar can have a significant effect on the fair value of future cash flows of the Corporation's financial assets and liabilities.

The Canadian operations are exposed to currency risk on foreign currency denominated financial assets and liabilities with adjustments recognized as foreign exchange gains and/or losses in the consolidated statement of earnings (loss).

Since the Corporation's US operations utilize a US dollar functional currency, the Corporation is exposed to currency risk on the translation of the US operations' financial assets and liabilities to Canadian dollars for consolidation. Adjustments arising from translating the self-sustaining US operations into Canadian dollars are reflected in the consolidated statement of accumulated other comprehensive income (loss) as unrealized gains or losses.

For the years ended December 31, 2010 and 2009, a fluctuation of one percent in the value of the US dollar would have amounted to a change in net earnings (loss) and other comprehensive income of $45 (2009 - $4) and $291 (2009 - $295) respectively.

Management does not use any derivative instruments to hedge this risk. The Corporation had no forward exchange rate contracts in place as at or during the years ended December 31, 2010 and 2009.

INTEREST RATE RISK

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Corporation is exposed to interest rate fluctuations on its variable rate long-term debt and its variable rate operating loan. As at December 31, 2010, all borrowings, except capital leases of $60 (2009 - $151), were at variable rates.

The impact of changes in interest rates on the Corporation's interest expense calculated based on the average monthly balances of variable rate debt facilities during the years ended December 31, 2010 and 2009 is as follows:

	2010	2009
First one percent increase in interest rates	**430**	542
For each subsequent one percent increase in interest rates	**461**	542
For each one percent decrease in interest rates	**(396)**	(542)

Note: The Corporation's US Term Loan and US Revolving Loan are subject to an interest rate floor of 4.5% (Note 9)

The Corporation will consider utilizing interest rate swap or other financial contracts in order to mitigate the impact of interest rate fluctuations during periods when it anticipates interest rates to be volatile. The Corporation did not have any interest rate swap or financial contracts in place for the years ended December 31, 2010 and 2009.

COMMODITY PRICE RISK

The Corporation is not directly exposed to commodity price risk as it does not have any contracts that are directly based on commodity prices. A change in commodity prices, specifically oil and natural gas prices, could have a material impact on cash flows of the Corporation's customers and could therefore affect the demand for drilling and well completion services from these customers and their ability to pay debts owing to the Corporation. The financial impact of fluctuations in oil and natural gas prices on the Corporation's financial results cannot be quantified given that this is an indirect influence.

b) Fair value of financial instruments

The Corporation's financial instruments consist primarily of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, operating loans and long-term debt.

The fair value of cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities approximate their carrying amounts due to their short-terms to maturity (majority have terms less than 90 days).

The Corporation's operating loan and long-term debt bear interest at floating market interest rates. The fair value of the Corporation's operating loan and long-term debt approximate their carrying amounts as floating market interest rates and the margins charged by the Corporation's lenders reflect current credit spreads.

The classification, carrying value and estimated fair value for each type of financial instrument is as follows:

2010

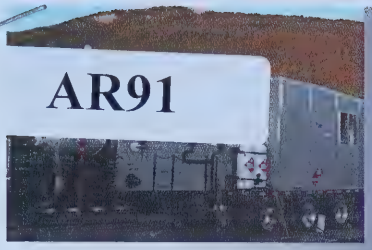
	Category	Measurement Method	Carrying Value	Fair Value
Continuing Operations				
Cash and cash equivalents	Held for trading	Fair value	**$ 4,599**	**$ 4,599**
Accounts receivable	Loans and receivables	Amortized cost	**37,066**	**37,066**
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost	**(22,358)**	**(22,358)**
Operating loan	Other financial liabilities	Amortized cost	**(3,194)**	**(3,194)**
Long-term debt	Other financial liabilities	Amortized cost	**(10,802)**	**(10,802)**
Discontinued Operations				
Accounts receivable	Loans and receivables	Amortized cost	**52**	**52**
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost	**(60)**	**(60)**
			$ 5,303	**$ 5,303**

2009

	Category	Measurement Method	Carrying Value	Fair Value
Continuing Operations				
Cash and cash equivalents	Held for trading	Fair value	$ 1,986	$ 1,986
Accounts receivable	Loans and receivables	Amortized cost	23,297	23,297
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost	(15,275)	(15,275)
Long-term debt	Other financial liabilities	Amortized cost	(48,051)	(48,051)
Discontinued Operations				
Accounts receivable	Loans and receivables	Amortized cost	446	446
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost	(110)	(110)
			$ (37,707)	$ (37,707)

18. Subsequent Event

On February 22, 2011, a US Court of Appeals upheld a summary judgment issued by the District Court of Wyoming against Pure USA in the amount of USD $0.6 million for claims related to unpaid overtime compensation for years prior to 2009 plus liquidated damages. The full amount of the judgment has been recorded as an accrued liability on the balance sheet as at December 31, 2010.



PureEnergy
Providing Superior Value

Pure Energy Services Ltd.

2010 Management's Discussion and Analysis

The following Management's Discussion and Analysis ("MD&A") is for the consolidated financial statements of Pure Energy Services Ltd. (the "Corporation" or "Pure") as at and for the three and twelve-month periods ended December 31, 2010 and 2009. The consolidated financial statements and MD&A have been prepared taking into consideration information available as at March 15, 2011 and should be read in conjunction with the audited consolidated financial statements of the Corporation for the years ended December 31, 2010 and 2009. Additional information relating to the Corporation, including the Corporation's Annual Information Form, is available on the Canadian System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com. Unless otherwise indicated, references in this MD&A to "$" or "Dollars" are to Canadian dollars.

Readers are cautioned that this MD&A contains certain forward-looking information. Please see "Forward-Looking Statements" for a discussion concerning the use of such information in this MD&A.

Results presented in this MD&A for the three month periods ended December 31, 2010 and 2009 are unaudited.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

	Three months ended December 31,			Years ended December 31,		
($000's, except per share amounts)	**2010**	2009	Change	**2010**	2009	Change
Continuing operations						
Revenue	**$ 55,128**	$ 29,936	84%	**$ 175,673**	$ 94,969	85%
Gross margin	**$ 16,585**	$ 3,783	338%	**$ 44,220**	$ 12,533	253%
Gross margin %	**30%**	13%	131%	**25%**	13%	92%
Selling, general and administrative expenses	**$ 6,421**	$ 4,532	42%	**$ 22,619**	$ 16,068	41%
EBITDAS [(1)]	**$ 10,164**	$ (749)	> 1,000%	**$ 21,601**	$ (3,535)	711%
EBITDA [(1)]	**$ 10,007**	$ (1,067)	> 1,000%	**$ 21,111**	$ (4,260)	596%
Net earnings (loss)	**$ 4,400**	$ (3,143)	240%	**$ 4,901**	$ (12,278)	140%
Per share:						
Basic	**$ 0.19**	$ (0.13)	246%	**$ 0.21**	$ (0.61)	134%
Diluted	**$ 0.18**	$ (0.13)	238%	**$ 0.20**	$ (0.61)	133%
Funds flow from operations [(1)]	**$ 9,865**	$ (1,371)	820%	**$ 19,546**	$ (6,080)	421%
Discontinued operations						
EBITDAS [(1)]	**$ (100)**	$ 592	(117%)	**$ 3,244**	$ (269)	> 1,000%
Net loss	**$ (73)**	$ (2)	>(1,000%)	**$ (5,850)**	$ (15,866)	63%
Total operations						
EBITDAS [(1)]	**$ 10,064**	$ (157)	> 1,000%	**$ 24,845**	$ (3,804)	753%
EBITDA [(1)]	**$ 9,907**	$ (475)	> 1,000%	**$ 24,355**	$ (4,529)	638%
Net earnings (loss)	**$ 4,327**	$ (3,145)	238%	**$ (949)**	$ (28,144)	97%
Per share:						
Basic	**$ 0.18**	$ (0.13)	238%	**$ (0.04)**	$ (1.40)	97%
Diluted	**$ 0.18**	$ (0.13)	238%	**$ (0.04)**	$ (1.40)	97%

(1) Refer to "Non-GAAP Measures" section

($000's)	December 31, 2010	December 31, 2009	Change
Total assets	$ 154,334	$ 183,759	(16%)
Working capital net of long-term debt	$ 10,354	$ (32,286)	132%

BUSINESS OVERVIEW

The Corporation provides well completion and production related oilfield services to oil and natural gas exploration and development companies in western Canada and certain regions in the United States ("US").

The Corporation's continuing operations are divided into three separate reporting segments: Canadian Completions Services ("CCS"), US Completions Services ("USCS") and Corporate Administration ("Corporate"). The CCS segment conducts operations in the Western Canadian Sedimentary Basin ("WCSB") through its two operating divisions: wireline and well testing. The USCS segment conducts operations in the Rocky Mountain, North Dakota and Appalachian Basin regions of the US through its two operating divisions: wireline and well testing. The Corporate segment is a cost center which includes corporate administration and other costs not specifically attributable to the CCS and USCS segments. Operations for both the CCS and USCS segments are impacted by seasonality, with the CCS segment typically experiencing higher activity levels in the winter months and the USCS segment experiencing higher activity levels in the non winter months (see "Seasonality" discussion in "Risks and Uncertainties" section).

Effective October 1, 2010, the Corporation sold its drilling rig division (including this division's property, equipment and operations) and effective April 20, 2010 the Corporation sold its drilling equipment rental division. As a result of these transactions, the financial results of these two divisions (which previously comprised the Corporation's "Drilling" segment) have been reflected as discontinued operations for the years ended December 31, 2010 and 2009.

Q4 2010 AND YEAR ENDED 2010 HIGHLIGHTS FROM CONTINUING OPERATIONS

Pure's Q4 2010 consolidated financial results reflected the robust drilling and well completion activity levels in the WCSB tempered by the results of the US operations which reflected the seasonal Q4 slow-down combined with staffing expenses related to the ramp up in activity expected in several of the core US operating areas in 2011. The sale of the drilling rig division on October 1, 2010 (for net proceeds of $33.5 million) has allowed Pure to achieve its objective of significantly deleveraging the balance sheet. Pure exited 2010 with a strengthened financial position as working capital exceeded long-term debt by $10.4 million with available but undrawn amounts on the Corporation's credit facilities at December 31, 2010 of approximately $39.3 million.

During Q4 2010, Pure realized significantly improved revenue, EBITDA and net earnings from continuing operations on a consolidated basis over the comparable Q4 2009 period reflecting the improved activity levels and financial results from both the CCS and USCS operating segments. Drilling and completion activity levels in both the WCSB and in Pure's US core operating areas increased quarter over quarter primarily due to:

a) increased access to capital for many of Pure's customers during 2010 as compared to 2009 (reflecting the recovery in debt and equity markets) allowing them to ramp up drilling and completions programs;

b) improved prices for oil and natural gas liquids; and

c) increased work in emerging resource plays (certain oil, shale gas and deeper tight gas plays that have become prominent as a result of technology improvements in multi-stage fracturing and horizontal drilling).

These factors contributed to a 52% increase in the number of wells drilled (rig released) in the WCSB from 2,665 in Q4 2009 to 4,061 in Q4 2010 (source: Nickle's Energy Group).

In the US, evidence of the recovery in activity levels was reflected through the significantly increased drilling rig counts in some of Pure's core operating areas. In North Dakota, the monthly average active rig counts rose from 62 in December 2009 to 146 during December 2010, while the rig counts increased in Pennsylvania and Colorado from 63 to 102 and 40 to 64, respectively, for the same periods (US rig count data from Baker Hughes Rotary Rig Count report).

Consolidated revenue from continuing operations in Q4 2010 of $55.1 million was 84% higher than the $29.9 million recognized in Q4 2009 reflecting significantly higher revenue for both the CCS and USCS operating segments. The CCS segment benefited from increased equipment utilization and improved pricing, while the USCS segment benefited from expanded equipment fleets and a shift to higher revenue work. Consolidated gross margins more than doubled from 13% in Q4 2009 to 30% in Q4 2010 reflecting the huge improvement in CCS margins from 10% in Q4 2009 to 35% in Q4 2010. The USCS margins during Q4 2010 of 20% (which were in line with the 19% margins recorded in Q4 2009) were reduced by hiring, training and travel costs to expand crews in the busier US areas of North Dakota and Pennsylvania. Improved pricing for services in the US was not implemented until 2011 as a significant portion of 2010 work was at fixed pricing rates contracted during 2009. The improved consolidated operating results in the current quarter led to the significantly improved EBITDA from continuing operations from the negative $1.1 million recorded in Q4 2009 to the positive $10.0 million recorded in Q4 2010. Net earnings from continuing operations were $4.4 million ($0.19 per share - basic) in the current quarter compared to a net loss of $3.1 million (negative $0.13 per share) reported in Q4 2009.

On a full year basis, Pure recorded significantly improved revenue, gross margin percentage, EBITDA and net earnings from continuing operations in 2010 as compared to 2009. Consolidated revenue rose from $95.0 million in 2009 to $175.7 million in 2010 (an 85% increase) reflecting higher equipment utilization in the current year, combined with price increases (primarily for CCS) that were recognized in the second half of 2010. Consolidated gross margins improved dramatically from the 13% recognized in calendar 2009 to the 25% recognized in 2010, reflecting the significant improvement in CCS margins from 7% in 2009 to a more robust 26% recognized in 2010. CCS margins benefited from the increased equipment utilization and pricing as well as operational efficiencies obtained from the integration of the operations of Canadian Sub-Surface Energy Services ("CanSub"), which was acquired during Q2 2009. The USCS segment posted margins of 23% in 2010 which were in line with the 23% margins posted in 2009. Margins in the US in 2010 were constrained by the lower pricing rates carried over from 2009 and negatively impacted by high staffing and equipment rental expenses combined with integration costs associated with the acquisition of a wireline business in Q2 2010.

The year over year improvement in consolidated operating results from continuing operations led to the improved EBITDA of $21.1 million recorded in 2010 compared to the EBITDA of negative $4.3 million recorded in 2009. Net earnings from continuing operations improved to $4.9 million ($0.21 per share – basic) in 2010 from the net loss of $12.3 million (negative $0.61 per share) posted in 2009.

During 2010, Pure continued to increase its high pressure equipment fleet by bringing 7 additional high pressure well testing units into service, 5 of which were added to the Canadian testing fleet and the remaining 2 units added to the US testing fleet. Most of the new Canadian units were deployed to a major client in the Horn River region of British Columbia for work involving fracturing fluid recovery and flow testing for a multi-well drilling program targeting shale gas. The 2 units added to the US fleet are currently working in the Marcellus shales in Pennsylvania.

During January 2011, the Corporation's Board of Directors approved a $38 million capital expenditure budget for 2011 which includes the following (Canada and the US combined): approximately $16 million for well testing operations and approximately $14 million for wireline operations for revenue generating equipment and/or equipment that will be used to replace existing, rented equipment with the objective of reducing operating expenses and improving margins. The remaining $8 million is slated for the refurbishment of existing equipment, facility expansions and other infrastructure. A significant portion of the additional revenue generating equipment is geared towards the high pressure operating environments that are characteristic of some of the emerging resource plays located in both the western Canada and US areas where Pure operates.

OUTLOOK

Over the past 18 months, Pure's operations have been significantly restructured and the balance sheet significantly improved. The following non-core businesses have been sold during that period: the US fracturing division in Q3 2009, the drilling equipment rental business in Q2 2010 and the drilling rig division in Q4 2010. In addition, the core service lines of wireline and well testing have been expanded with the acquisition of CanSub in Q2 2009 and the acquisition of a US wireline business in Q2 2010. As a result of these transactions, Pure now has 2 remaining core service lines, in which management has extensive expertise. The balance sheet at December 31, 2010 was in a strong position, giving the Corporation the ability to further expand these service lines.

Pure's management is optimistic about industry activity levels in 2011 based on the current robust drilling rig counts in western Canada and certain core US operating areas combined with strong prices for oil and natural gas liquids. Pure continues to benefit from the high demand for its services in the emerging resource plays, given the locations of the Corporation's operating facilities and the significant amount of wireline and well testing equipment capable of working in high pressure environments. Improved pricing for services implemented during the second half of 2010 in Canada and implemented in Q1 2011 in the US, should positively impact margins and profitability going forward into 2011.

The primary focus areas for Pure for 2011 are as follows:

- The recruitment and retention of staff to handle the Corporation's growth. Pure is investing significant efforts in the implementation of its "Superior Value" program which includes increased training and education programs for field and support staff to address the critical personnel issues of recruitment, retention and succession planning. In addition, retention bonus programs, wage adjustments and other compensation plans have also been recently implemented.

- Continuing to build the operational infrastructure in the US. This includes adding equipment to those areas of high activity, increasing sales and marketing efforts to expand the existing client base and increasing the local staff complement in some of the busier US operating areas. USCS management will be focused on improving operating gross margins in 2011.

- Continuing to be a leader in high pressure work in Canada and certain US operating areas. With its highly trained staff and large amount of equipment capable of operating in high pressure environments, Pure is well positioned to benefit from the high demand for services in the deep basin and some of the emerging resource plays in western Canada and the US. An additional 14 high pressure well testing packages are planned to be added to the Canada and US well testing fleets for 2011 to enable Pure to continue to be a leader in this business.

- Evaluating acquisition opportunities in Canada and the US. Pure will evaluate potential acquisition opportunities that provide business synergies with the Corporation's core service lines and/or the establishment of new core operating areas.

DISCONTINUED OPERATIONS – DISPOSITION OF DRILLING RIG, DRILLING EQUIPMENT RENTALS AND WELL FRACTURING DIVISIONS

Effective October 1, 2010, the drilling rig division was sold for net proceeds of $33.5 million to a private investment group and effective April 20, 2010 the drilling equipment rentals division was sold to an industry peer in exchange for the peer's US wireline assets and operations and a cash payment of $2.4 million. As a result of these sales, the financial results for these divisions have been disclosed as discontinued operations (in the "Drilling" segment) for the three and twelve-month periods ended December 31, 2010 and 2009.

On August 14, 2009, the Corporation sold its US well fracturing assets and associated inventory to a competitor for net proceeds of $38.8 million. As a result of this disposition, the well fracturing operations have also been disclosed as discontinued operations for the three months and years ended December 31, 2010 and 2009.

RESULTS OF CONTINUING OPERATIONS

FINANCIAL SUMMARY BY SEGMENT

The break-down of consolidated financial results by segment for the three months ended December 31, 2010 and 2009 is as follows:

	Three months ended December 31, 2010			
($000's)	**CCS**	**USCS**	**Corporate**	**Consolidated**
Revenue	**$ 38,440**	**$ 16,688**	**$ -**	**$ 55,128**
Operating expenses	**25,163**	**13,380**	**-**	**38,543**
Gross margin	**$ 13,277**	**$ 3,308**	**$ -**	**$ 16,585**
Gross margin %	**35%**	**20%**	**-%**	**30%**
Selling, general and administrative	**2,996**	**1,971**	**1,454**	**6,421**
EBITDAS	**$ 10,281**	**$ 1,337**	**$ (1,454)**	**$ 10,164**
Stock-based compensation	**-**	**-**	**157**	**157**
EBITDA	**$ 10,281**	**$ 1,337**	**$ (1,611)**	**$ 10,007**

	Three months ended December 31, 2009			
($000's)	CCS	USCS	Corporate	Consolidated
Revenue	$ 20,467	$ 9,469	$ -	$ 29,936
Operating expenses	18,450	7,703	-	26,153
Gross margin	$ 2,017	$ 1,766	$ -	$ 3,783
Gross margin %	10%	19%	-%	13%
Selling, general and administrative	1,879	932	1,721	4,532
EBITDAS	$ 138	$ 834	$ (1,721)	$ (749)
Stock-based compensation	-	-	318	318
EBITDA	$ 138	$ 834	$ (2,039)	$ (1,067)

The break-down of consolidated financial results by segment for the years ended December 31, 2010 and 2009 is as follows:

	Year ended December 31, 2010			
($000's)	**CCS**	**USCS**	**Corporate**	**Consolidated**
Revenue	**$ 114,749**	**$ 60,924**	**$ -**	**$ 175,673**
Operating expenses	**84,544**	**46,909**	**-**	**131,453**
Gross margin	**$ 30,205**	**$ 14,015**	**$ -**	**$ 44,220**
Gross margin %	**26%**	**23%**	**-%**	**25%**
Selling, general and administrative	**10,850**	**6,158**	**5,611**	**22,619**
EBITDAS	**$ 19,355**	**$ 7,857**	**$ (5,611)**	**$ 21,601**
Stock-based compensation	**-**	**-**	**490**	**490**
EBITDA	**$ 19,355**	**$ 7,857**	**$ (6,101)**	**$ 21,111**

	Year ended December 31, 2009			
($000's)	CCS	USCS	Corporate	Consolidated
Revenue	$ 56,708	$ 38,261	$ -	$ 94,969
Operating expenses	52,993	29,443	-	82,436
Gross margin	$ 3,715	$ 8,818	$ -	$ 12,533
Gross margin %	7%	23%	-%	13%
Selling, general and administrative	7,509	2,744	5,815	16,068
EBITDAS	$ (3,794)	$ 6,074	$ (5,815)	$ (3,535)
Stock-based compensation	-	-	725	725
EBITDA	$ (3,794)	$ 6,074	$ (6,540)	$ (4,260)

DISCUSSION OF SEGMENT RESULTS - CONTINUING OPERATIONS

Canadian Completion Services ("CCS") Segment [1]

	Three months ended December 31,			Years ended December 31,		
($000's)	**2010**	2009	Change	**2010**	2009	Change
Revenue						
Wireline [2]	**$ 22,257**	$ 14,783	51%	**$ 71,458**	$ 34,527	107%
Well Testing	**16,183**	5,684	185%	**43,291**	22,181	95%
	$ 38,440	$ 20,467	88%	**$114,749**	$ 56,708	102%
Gross margin						
Wireline	**$ 6,677**	$ 2,007	233%	**$ 16,274**	$ 2,061	690%
Well Testing	**6,600**	10	> 1,000%	**13,931**	1,654	742%
	$ 13,277	$ 2,017	558%	**$ 30,205**	$ 3,715	713%
Gross margin %						
Wireline	**30%**	14%	114%	**23%**	6%	283%
Well Testing	**41%**	0%	> 1,000%	**32%**	7%	357%
	35%	10%	250%	**26%**	7%	271%
Selling, general and administrative	**$ 2,996**	$ 1,879	59%	**$ 10,850**	$ 7,509	44%
EBITDAS	**$ 10,281**	$ 138	> 1,000%	**$ 19,355**	$ (3,794)	610%
Average units available during the period:						
Wireline [3]	**70.0**	71.5	(2%)	**70.5**	54.3	30%
Well Testing [4]	**69.0**	67.0	3%	**68.2**	48.1	42%
Total	**139.0**	138.5	0%	**138.7**	102.4	35%
Number of jobs completed:						
Wireline [3]	**3,000**	1,853	62%	**9,733**	4,745	105%
Well Testing	**3,177**	1,962	62%	**10,181**	5,396	89%
Total	**6,177**	3,815	62%	**19,914**	10,141	96%

(1) The CCS segment includes the financial results of CanSub since the June 22, 2009 acquisition date.

(2) The CCS wireline division includes the following services: electric line, slickline, swabbing, specialty logging and several other services. The electric line and slickline services generate approximately 80% of the revenue in this division.

(3) Wireline units consist of electric line and slickline units and wireline jobs are from these units only (and exclude jobs from the other service lines in the wireline division). Wireline unit counts for 2009 and 2010 only reflect available units (ie. not decommissioned units). At December 31, 2010, there were 70 available wireline units in CCS, which included 57 units in operation and 13 parked units.

(4) Well testing unit counts for 2009 and 2010 only reflect available units (ie. not decommissioned units). At December 31, 2010, there were 68 available well testing units in CCS which included 65 units in operation and 3 parked units. During 2010, 12 older testing units were decommissioned and subsequently sold, along with 3 previously parked units.

Pure operates one of the largest wireline and well testing fleets in the WCSB. A significant portion of the Corporation's equipment fleet at December 31, 2010 (26 of the 70 wireline units and 31 of the 68 well testing units) is capable of operating in the high pressure environments encountered in many of the emerging resource plays in western Canada. Pure's exposure to these high activity areas has contributed to the robust equipment utilization rates in 2010.

As a result of increased equipment utilization and generally improved pricing, the CCS segment realized revenue during Q4 2010 of $38.4 million, a significant increase over the $20.5 million recorded in Q4 2009. Wireline division revenue increased by 51% quarter over quarter reflecting increased equipment utilization (jobs were up

62%). However, the revenue per job decreased due to the significant activity in the shallower oil basins in central and southern Alberta and southeast Saskatchewan which have lower associated pricing. Well testing division revenues increased 185% on a quarter over quarter basis reflecting the increased job count (also 62%) and significantly increased revenue per job. The higher revenue per job reflects the impact of two large projects in the Horn River region of British Columbia. Both projects involved fracturing fluid recovery and flow testing for multi-well drilling programs targeting shale gas and ran from October through December 2010 with completion of each in January 2011. One of the projects involved 5 high pressure testing packages while the other project involved one testing package plus a large crew to man equipment owned by the client. Both projects had significant amounts of auxiliary equipment (i.e. high pressure pipe, line heaters, etc) which led to high overall daily revenues. A portion of the auxiliary equipment was redeployed to other client work in February and March 2011.

The higher utilization rates and improved pricing for both the wireline and well testing divisions resulted in the significant improvement in CCS' blended margins from 10% in Q4 2009 to 35% in Q4 2010. The lower margins recorded in the prior period partially reflected the integration costs associated with the CanSub acquisition which closed during Q2 2009. The well testing business (which has a primarily variable cost structure) can see margins ramp up significantly with improvements in pricing and additional billings for the use of auxiliary equipment. The wireline business (which has a high fixed cost component) can realize strong incremental margins with higher revenue levels. The fixed operating costs associated with the Corporation's wireline business have been significantly reduced on a quarter over quarter basis due to the successful integration of the CanSub and Pure wireline businesses. Increased staff costs (resulting from a tightening labour market) impacted margins in Q4 2010 and will also impact margins in 2011.

Selling, general and administrative expenses ("SG&A") in CCS increased from $1.9 million in Q4 2009 to $3.0 million in Q4 2010 reflecting the effects of higher activity levels in the current quarter, combined with increased wage expense. As a percentage of revenue, SG&A improved from 9.2% of revenue in Q4 2009 to 7.8% of revenue in Q4 2010. SG&A expenses for CCS are targeted to be in the range of 9% on an annualized basis going forward.

For the year ended December 31, 2010, CCS' revenue of $114.7 million was more than double the $56.7 million reported in the 2009 year. The prior year revenue figure only included the CanSub results from June 22 – December 31. In addition, the current year's revenue reflected an increased equipment fleet (for the well testing division) combined with higher equipment utilization rates and improved pricing for both the wireline and well testing divisions. The pricing improvements were realized over the second half of 2010.

The number of wells drilled (rig released) in the WCSB increased 45% on a year over year basis from 8,367 in calendar 2009 to 12,122 in 2010 (source: Nickles Energy Group). As a result of the higher equipment utilization, higher pricing and rationalization of operating costs, blended margins for calendar 2010 improved significantly, climbing from 7% in 2009 to 26% in 2010. SG&A expenses for 2010 of $10.9 million were 9.5% of revenue, which was significantly better than the 13.2% of revenue in the prior year.

Going into 2011, the CCS division will be focusing on the critical issues of staff hiring and retention through implementation of the "Superior Value" program and various other compensation programs. In addition, CCS will be looking to expand its position as a leading provider of high pressure services in the WSCB, particularly in the well testing business where an additional 12 high pressure testing packages are planned for the CCS fleet in 2011.

US Completion Services ("USCS") Segment

($000's)	Three months ended December 31, 2010	2009	Change	Years ended December 31, 2010	2009	Change
Revenue						
Wireline	**$ 5,741**	$ 2,038	182%	**$ 22,030**	$ 10,539	109%
Well Testing	**10,947**	7,431	47%	**38,894**	27,722	40%
	$ 16,688	$ 9,469	76%	**$ 60,924**	$ 38,261	59%
Gross margin						
Wireline	**$ 255**	$ (97)	363%	**$ 3,108**	$ 2,327	34%
Well Testing	**3,053**	1,863	64%	**10,907**	6,491	68%
	$ 3,308	$ 1,766	87%	**$ 14,015**	$ 8,818	59%
Gross margin %						
Wireline	**4%**	(5%)	180%	**14%**	22%	(36%)
Well Testing	**28%**	25%	12%	**28%**	23%	22%
	20%	19%	5%	**23%**	23%	-%
Selling, general and administrative	**$ 1,971**	$ 932	111%	**$ 6,158**	$ 2,744	124%
EBITDAS	**$ 1,337**	$ 834	60%	**$ 7,857**	$ 6,074	29%
Average units available during the period:						
Wireline [1]	**17.0**	6.0	183%	**12.7**	6.0	112%
Well Testing [2]	**42.0**	36.7	14%	**39.9**	35.3	13%
Total	**59.0**	42.7	38%	**52.6**	41.3	27%
Number of jobs completed:						
Wireline [1]	**813**	283	187%	**3,099**	1,411	120%
Well Testing [2]	**2,155**	2,082	4%	**8,539**	6,314	35%
Total	**2,968**	2,365	25%	**11,638**	7,725	51%

(1) The USCS wireline fleet consists solely of electric line units. At December 31, 2010, there were 17 wireline units available which included 11 in operation and 6 parked units.

(2) At December 31, 2010, there were a total of 43 well testing units available, all of which were in operation.

Drilling rig counts and associated well completion activity levels during 2010 increased over 2009 in several of the USCS' core operating areas including North Dakota (Bakken Basin), Pennsylvania (Marcellus Shales) and Colorado (Piceance Basin). Despite the increased activity levels, pricing for the majority of USCS' work in 2010 was based on lower, fixed pricing levels contracted during 2009. Improved pricing rates have been implemented during Q1 2011.

The expanded equipment fleets in both the well testing and wireline divisions, combined with a shift in the well testing job mix to a greater portion of high revenue type of work, led to the 76% increase in USCS' revenue from $9.5 million recognized in Q4 2009 to $16.7 million in Q4 2010. Utilization rates in the testing division were similar on a quarter over quarter basis as reductions in work in Colorado and Wyoming were offset by increased work in North Dakota and Pennsylvania. The significant increase in the number of wireline jobs was due to the acquisition of 10 wireline units (9 of which remained in the US and the remaining unit sent to Canada) as part of the purchase of equipment and operations from an industry peer that was completed during Q2 2010. Of the 9 units added to the US wireline fleet, only 3 were crewed and working during Q4 2010. Total segment revenue on a USD basis was USD $8.9 million in Q4 2009 and USD $16.3 million in Q4 2010. Average CDN$ / USD exchange rates decreased from the prior period from approximately 1.06 in Q4 2009 to 1.02 in Q4 2010.

Although equipment utilization in the well testing division was essentially flat quarter over quarter, the shift in job mix away from the lower revenue per day work in Wyoming and Colorado to more of the higher revenue per day work in North Dakota and Pennsylvania contributed to the 47% increase in revenue from Q4 2009 to Q4 2010. All services performed from the Pennsylvania base (which was established at the end of 2009) were in the Marcellus shales and involved high pressure units and auxiliary equipment which command higher day rates than conventional equipment utilized in the other US regions. In addition, well testing revenue benefited from increased billings for auxiliary equipment and jobs where only crews were supplied. The increased wireline division revenue of 182% on a quarter over quarter basis reflected the 187% increase in job count from the expanded wireline fleet. There were 11 wireline units operating in Q4 2010 compared to 6 units operating in Q4 2009.

The blended margin percentage for the USCS segment for Q4 2010 of 20% was consistent with the blended margin for Q4 2009 of 19%. Margins in both divisions were negatively impacted in the current quarter by hiring and training costs associated with the ramp up of staff for increased workloads expected in 2011. In addition, due to a shortage of local labour in certain operating areas in Q4 2010 (primarily in North Dakota and Pennsylvania), current quarter margins for both divisions were constrained due to the high travel and subsistence costs associated with the redeployment of crews from Pure's other operating areas. Well testing margins in the current quarter continued to be impacted by high rental costs for auxiliary equipment. Wireline margins during Q4 2010 were challenged from the lack of client diversification in Colorado and Wyoming as the major clients in those areas completed less work than expected. The wireline division also had high repairs and maintenance expenses during Q4 2010 as the lower workload provided an opportunity to have necessary inspections and maintenance programs completed.

SG&A expense increased on a quarter over quarter basis from $0.9 million in Q4 2009 to $2.0 million in Q4 2010 reflecting the significant growth in the US operations combined with a one-time charge of $0.4 million related to a court judgment against USCS issued in February 2011. As part of the judgment, a US state court of appeals upheld a lower court ruling against USCS related to employee overtime claims for years prior to 2009. As a percentage of revenue, SG&A expenses dropped from 9.8% in Q4 2009 to 9.3% in Q4 2010 (excluding the impact of the judgment in Q4 2010). The targeted annual SG&A run rate going forward for the USCS segment is 9% of revenue.

For the year ended December 31, 2010, the USCS segment recorded revenue of $60.9 million compared to revenue of $38.3 million for the 2009 year. On a USD basis, revenues were USD $59.1 million and USD $38.3 million respectively for 2010 and 2009. Average CDN$ / USD exchange rates decreased from approximately 1.14 in the prior year to approximately 1.03 for the current year. Both the wireline and well testing divisions realized increased equipment utilization rates in 2010 due to the recovery in industry activity levels from the 2009 year which were challenged by the global credit crisis and low oil and natural gas prices. Revenue in calendar 2010 for the wireline division did not increase in proportion to the increased job count as 2009 revenues benefited from several lucrative projects for two major customers in Wyoming and Colorado in the first half of 2009.

The blended margin percentage for the USCS segment for calendar 2010 of 23% was in line with the blended margin for the 2009 year reflecting increased well testing margins offset by lower wireline margins. Well testing division margins of 28% in the current year period were better than the 23% in the prior year primarily reflecting higher utilization rates and specialty well control work done. Small price increases were offset by increased hiring and training costs associated with staff expansions. In addition, the prior year well testing margins were negatively impacted by set-up costs of the Pennsylvania operations. The wireline division margins in the current year were only 14% and reflected the integration costs incurred in Q2 and Q3 2010 of the acquired wireline business, the set-up costs associated with the new North Dakota wireline station in Q1 2010 and the low wireline revenue stream (in relation to the size of the staff complement) in Q4 2010. The stronger wireline margins in 2009 were partly due to lucrative project work for the two major customers in Wyoming and Colorado.

SG&A for calendar 2010 was $6.2 million, a significant increase over the $2.7 million recognized in 2009. The increase primarily reflects the higher staff levels in 2010 to accommodate the segment's growth combined with a one-time severance expense of $0.35 million to the former head of USCS and the one-time court judgment noted above for $0.4 million. In addition, the prior year expenses were reduced by the receipt of $0.7 million from the Corporation's former US legal counsel in settlement of a malpractice claim initiated by Pure.

USCS' management will be focusing their efforts in 2011 on improving gross margins in both the well testing and wireline divisions through:

- Hiring of more local field staff in the growing areas of North Dakota and Pennsylvania to reduce costs of mobilizing staff from other areas;

- Expansion of the client base (particularly for the wireline division), in those areas where the revenue stream is dependent on a few major clients. Additional and/or more regular revenue streams will be required to improve margins in the high fixed cost wireline business. The planned establishment during 2011 of a wireline base in Pennsylvania should increase the overall utilization of the wireline fleet and crews; and

- Replacing rental equipment to reduce operating costs. The USCS segment has allocated a portion of its 2011 capital expenditure budget to the purchase of equipment such as high pressure pipe and sand traps (used in the well testing business) and certain wireline equipment to replace equipment that is currently being rented.

OTHER EXPENSES – CONTINUING OPERATIONS

	Three months ended December 31,			Year ended December 31,		
($000's)	**2010**	2009	Change	**2010**	2009	Change
Stock-based compensation	**$ 157**	$ 318	(51%)	**$ 490**	$ 725	(32%)
Depreciation and amortization	**$ 3,208**	$ 2,754	16%	**$ 11,222**	$ 10,280	9%
Interest on long-term debt	**$ 161**	$ 567	(72%)	**$ 1,951**	$ 2,134	(9%)
Other interest	**$ 74**	$ 6	> 1,000%	**$ 190**	$ 21	805%
Impairment of property held for sale	**$ 89**	$ 1,012	(91%)	**$ 89**	$ 1,012	(91%)
(Gain) loss on sale of property and equipment	**$ 216**	$ (984)	122%	**$ (638)**	$ (1,318)	52%
Foreign exchange (gain) loss	**$ 97**	$ (712)	114%	**$ 82**	$ (470)	117%

Depreciation and Amortization Expense

Depreciation and amortization expense increased from $2.8 million in Q4 2009 to $3.2 million in Q4 2010. This increase reflected a quarter over quarter increase in the average net book values of property and equipment from $80.1 million in Q4 2009 to $83.9 million in Q4 2010 combined with the accelerated depreciation during Q4 2010 of certain computer software no longer in use. On a year over year basis, depreciation and amortization expense increased 9% from $10.3 million to $11.2 million. This reflected a 6% increase in the average net book value of property and equipment from $75.3 million in calendar 2009 to $79.8 million in calendar 2010 combined with the accelerated software depreciation in 2010.

Total Interest

Total interest of $0.2 million in Q4 2010 was significantly lower than the $0.6 million recorded in Q4 2009 reflecting the decrease in average drawn debt balances (approximately $18.7 million in Q4 2010 compared to

$49.6 million in Q4 2009). The debt reduction was due primarily to the $33.5 million in net proceeds from the sale of the drilling rig division in Q4 2010.

Total interest for the year ended December 31, 2010 of $2.1 million was consistent with the expense incurred in the prior year. Although the average drawn debt balances were higher in the prior year (approximately $58.2 million in 2009 compared to $46.2 million in 2010), this was offset by lower interest rates charged by the Corporation's lender in 2009. The higher overall interest rates charged in the current year primarily reflect the increase in the Canadian prime lending rates during 2010.

Impairment of Property Held for Sale

At December 31, 2009, Pure's CCS segment had three redundant operating facilities for sale which were classified as "property held for sale" on the balance sheet. An impairment loss of $1.0 million was recorded for one of these facilities during Q4 2009 to reduce the carrying value to the facility's estimated fair value. During 2010, two of these three facilities were sold (see discussion below in "gain (loss) on sale of property and equipment"). During Q4 2010, Pure's management decided to retain the remaining property for use in CCS' operations due to the increased industry activity in western Canada. As a result, this facility was reclassified to "property and equipment" on the balance sheet at December 31, 2010 and a $0.1 million impairment loss was taken during Q4 2010.

Gain (Loss) on Sale of Property and Equipment

The loss on sale incurred in Q4 2010 of $0.2 million resulted from the disposal of previously decommissioned well testing units and related equipment. The gain on sale of property and equipment of $1.0 million recognized in Q4 2009 related to the disposal of nine older wireline units and one operating facility (all identified as redundant as part of the integration of the CanSub operations in the second half of 2009).

The gain on sale of property and equipment of $0.6 million for calendar 2010 primarily reflects a gain on sale of $0.8 million from the disposal of two redundant operating facilities during Q3 2010 net of the Q4 2010 loss on sale of well testing units and related equipment discussed above. The gain on sale of $1.3 million recorded in calendar 2009 reflects the gain from Q4 2009 discussed above plus additional gains from disposals of equipment in Q3 2009 as part of the CanSub integration.

Foreign Exchange (Gain) Loss

The Q4 2009 and calendar 2009 foreign exchange gains of $0.7 million and $0.5 million respectively, reflect the release of a portion of the cumulative gains from the foreign currency translation of the net investment of the Corporation's US operations into earnings due to the reduction in the net investment that occurred during 2009. There were no such reductions in the Corporation's net investment in its US operations during Q4 2010 or calendar 2010 (where foreign exchange losses related to Canadian dollar denominated current liabilities of the USCS segment).

INCOME TAX EXPENSE – CONTINUING OPERATIONS

Pure recorded a total income tax expense from continuing operations in calendar 2010 of $3.3 million on net earnings before income tax of $8.2 million. Based on a blended Canadian/US income tax rate of approximately 30%, the expected income tax expense should be approximately $2.5 million. The additional $0.8 million of income tax expense recognized is attributed to several items including certain expenses that are not deductible for tax and adjustments related to amendments to previous years' tax returns.

As at December 31, 2010, the Corporation had non-capital losses and deferred expense pools that can be used to reduce future taxable income in Canada and the US of approximately $65 million and $38 million, respectively. Based on management's estimates, these losses and deferred expense pools are more likely than not to be realized in future periods and, as such, a future income tax asset has been recorded on the balance sheet.

RESULTS OF DISCONTINUED OPERATIONS

The net loss from discontinued operations for the three month periods and years ended December 31, 2010 and 2009 was as follows:

2010

	Three months ended December 31			Year ended December 31		
($000's)	Drilling	Well Fracturing	Total	Drilling	Well Fracturing	Total
Revenue	$ -	$ -	$ -	$ 21,658	$ -	$ 21,658
Operating expenses	-	-	-	17,388	-	17,388
Gross margin	-	-	-	4,270	-	4,270
Other expenses						
Selling, general and administrative	100	-	100	1,026	-	1,026
Depreciation and amortization	-	-	-	1,418	-	1,418
Impairment of property and equipment	-	-	-	9,867	-	9,867
Other interest	4	-	4	4	-	4
(Gain) loss on sale of equipment	19	-	19	(175)	-	(175)
Loss before income taxes	(123)	-	(123)	(7,870)	-	(7,870)
Future income tax reduction	(50)	-	(50)	(2,020)	-	(2,020)
Net loss	$ (73)	$ -	$ (73)	$ (5,850)	$ -	$ (5,850)

($000's)	Three months ended December 31 Drilling	Well Fracturing	Total	Year ended December 31 Drilling	Well Fracturing	Total
Revenue	$ 7,136	$ -	$ 7,136	$ 19,725	$ 21,233	$ 40,958
Operating expenses	5,956	255	6,211	17,043	21,478	38,521
Gross margin	1,180	(255)	925	2,682	(245)	2,437
Other expenses						
Selling, general and administrative	333	-	333	1,986	720	2,706
Depreciation and amortization	660	-	660	1,863	2,670	4,533
Impairment of property and equipment	-	-	-	-	16,925	16,925
Impairment of intangible assets	-	-	-	247	-	247
(Gain) loss on sale of equipment	3	-	3	(137)	844	707
Loss before income taxes	184	(255)	(71)	(1,277)	(21,404)	(22,681)
Future income tax reduction	25	(94)	(69)	(297)	(6,518)	(6,815)
Net loss	$ 159	$ (161)	$ (2)	$ (980)	$ (14,886)	$ (15,866)

Effective October 1, 2010 the Corporation sold its drilling rig division assets and operations to a private investment group for net proceeds of $33.5 million. Since the net proceeds were less than the carrying value of the related drilling rig equipment sold, an impairment charge of $9.9 million was recognized in Q3 2010. The net proceeds consisted of $31.0 million in cash plus $2.5 million in the form of a note receivable. The note receivable was received in full by December 31, 2010. The drilling equipment rentals division was sold on April 20, 2010 in exchange for an industry peer's US wireline operations. As a result of the sale of these two divisions, the related financial results have been classified as discontinued operations under the "Drilling" segment for the three month and year end periods ended December 31, 2010 and 2009.

On August 14, 2009 the Corporation sold all of its well fracturing division assets (formerly a part of the USCS segment). As such, the financial results of the fracturing division for the three month and year end periods December 31, 2010 and 2009 have also been classified as discontinued operations.

For calendar 2010, drilling segment revenue was $21.7 million, all of which was generated from January 1 – September 30. The drilling rig division accounted for $20.3 million of this revenue amount based on average rig utilization rates for the nine-month period of 44% (compared to industry average for that period of 37% - Source: CAODC). During calendar 2009, the drilling rig division accounted for $16.2 million of the total $19.7 million of segment revenue. Rig utilization rates for calendar 2009 were only 28% (compared to industry average of 24%) due to the significant industry slowdown during that year. Drilling rig division margins during the 2010 period were $3.9 million (or 19% of sales) compared to margins of $2.9 million (or 18% of sales) for calendar 2009. Despite the lower utilization percentage in 2009, margin percentages were about the same in both periods as reduced pricing was not implemented until the second half of 2009 and continued through to the beginning of Q3 2010. Due to the high variable cost nature of the rig business, few operating expenses are incurred when the rigs are not working.

THREE YEAR OPERATING RESULTS

($000's, except per share amounts)	Years ended December 31, 2010	2009	2008
Continuing operations			
Revenue	**$ 175,673**	$ 94,969	$ 104,079
Net earnings (loss)	**4,901**	(12,278)	(3,269)
Basic earnings (loss) per share	**0.21**	(0.61)	(0.21)
Diluted earnings (loss) per share	**0.20**	(0.61)	(0.21)
Total operations			
Revenue	**$ 197,331**	$ 135,927	$ 192,506
Net earnings (loss)	**(949)**	(28,144)	1,292
Basic earnings (loss) per share	**(0.04)**	(1.40)	0.08
Diluted earnings (loss) per share	**(0.04)**	(1.40)	0.08

	As at December 31, 2010	2009	2008
Total assets	**$ 154,334**	$ 183,759	$ 227,810
Total long-term liabilities	**8,355**	47,948	61,771

2010 versus 2009

Revenues and net earnings from continuing operations increased significantly from 2009 to 2010 reflecting a recovery in drilling and completion activity levels in Canada and the US and related recoveries in Pure's equipment utilization rates and pricing for services. A portion of the increased revenues relate to having a full year of operating results from the CanSub business which was acquired in June 2009. Revenues and net loss from total operations for 2010 and 2009 reflect the impact of the two drilling segment divisions (i.e. drilling rig division and drilling equipment rentals division) both of which were sold during 2010 and therefore reclassified to discontinued operations. The drilling rig division was sold to a private investment group for net proceeds of $33.5 million and the drilling equipment rental division was sold to an industry peer in exchange for the peer's US wireline operations.

The decline in total assets from $183.8 million at December 31, 2009 to $154.3 million at December 31, 2010 primarily reflects the sale of the drilling rig division which had a net book value of property and equipment at December 31, 2009 of $43.7 million. The net proceeds from disposal of $33.5 million were used to pay down debt. Funds flow from continuing operations during 2010 of $19.9 million was used to finance the capital expenditures from continuing operations of $15.6 million and pay down debt.

The decline in total long-term liabilities from $47.9 million at December 31, 2009 to $8.4 million at December 31, 2010 primarily reflects the pay down of long-term debt of $33.5 million from proceeds of the drilling rig division disposal.

2009 versus 2008

Despite the addition of CanSub's operations during June 2009, the calendar 2009 revenue from continuing operations was lower than the revenue from continuing operations for calendar 2008. This reflected the significantly decreased industry activity levels in 2009 resulting from the global credit crisis that occurred in the fall of 2008. As a result of this crisis, oil and natural gas prices fell significantly in late 2008 and through 2009 and Pure's customers had reduced access to debt and equity markets. These factors led to reduced pricing for services and reduced equipment utilization rates resulting in lower revenues, reduced margins and an erosion of net earnings.

Revenue and net earnings from total operations during 2009 and 2008 reflected the discontinued operations of the two drilling segment divisions combined with the US fracturing division. The US fracturing division was sold during August 2009 for net proceeds of $38.8 million; all of which was used to pay down debt.

Total assets declined from $227.8 million at December 31, 2008 to $183.8 million at December 31, 2009 primarily reflecting the following:

- Sale of the fracturing business (which had a net book value of property and equipment of $53.0 million at December 31, 2009);
- Reduction in accounts receivable balance of $14.0 million due to lower revenue levels in 2009 and sale of the fracturing division;
- Depreciation of equipment of $14.8 million in 2009 with no net additions of equipment (i.e. purchases of equipment equaled proceeds from disposals in 2009); and
- The above were offset by the CanSub acquisition which added total assets at acquisition date of $44.4 million. The CanSub acquisition was financed entirely through the issue of shares in Pure.

The decrease in total liabilities from $61.8 million at December 31, 2008 to $47.9 million at December 31, 2009 partially reflected the $38.8 million reduction in debt from the fracturing sale proceeds offset by the assumed long-term debt from the CanSub acquisition of $20.8 million.

SUMMARY OF QUARTERLY RESULTS [1]

($000's, except per share amounts) *(Unaudited)*	2010				2009			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Continuing operations								
Revenue	**55,128**	**45,996**	**32,401**	**42,148**	29,936	27,479	12,675	24,879
Gross margin	**16,585**	**13,062**	**4,203**	**10,370**	3,783	3,571	(1)	5,180
Gross margin %	**30%**	**28%**	**13%**	**25%**	13%	13%	-%	21%
Selling, general and administrative expenses	**6,421**	**5,599**	**5,555**	**5,044**	4,532	4,632	3,615	3,289
EBITDAS	**10,164**	**7,463**	**(1,352)**	**5,326**	(749)	(1,061)	(3,616)	1,891
EBITDA	**10,007**	**7,345**	**(1,460)**	**5,219**	(1,067)	(1,295)	(3,696)	1,798
Net earnings (loss)	**4,400**	**3,095**	**(3,592)**	**998**	(3,143)	(3,333)	(4,933)	(869)
Earnings (loss) per share:								
Basic	**0.19**	**0.13**	**(0.15)**	**0.04**	(0.13)	(0.14)	(0.29)	(0.05)
Diluted	**0.18**	**0.13**	**(0.15)**	**0.04**	(0.13)	(0.14)	(0.29)	(0.05)
Funds flow from operations	**9,865**	**6,952**	**(1,987)**	**4,716**	(1,371)	(1,305)	(4,394)	990
Discontinued operations								
Net earnings (loss)	**(73)**	**(6,932)**	**(375)**	**1,530**	(2)	(1,971)	(14,721)	828
Total operations								
Earnings (loss) per share:								
Basic	**0.18**	**(0.16)**	**(0.17)**	**0.11**	(0.13)	(0.22)	(1.18)	0.00
Diluted	**0.18**	**(0.16)**	**(0.17)**	**0.11**	(0.13)	(0.22)	(1.18)	0.00

(1) The periods in 2009 have also been adjusted to reflect the reclassification of balances related to the discontinued drilling rig, drilling equipment rental and well fracturing operations.

The impact of a global recession during the fall of 2008 led to significantly reduced oil and natural gas prices and reduced access to debt and equity markets for the Corporation's customers. As a result of these factors, industry activity levels declined sharply in both Canada and the US commencing in Q4 2008. In Q1 2009, the number of drilling rigs operating in the US during the quarter was approximately 50% lower than the peak number of rigs operating in the US during 2008. Drilling activity in Canada during Q1 2009 was also the lowest seen during a first quarter since 1999 (source: Daily Oil Bulletin). These lower industry activity levels resulted in lower operating results for the Corporation during the quarter compared to Q1 2008.

Activity levels continued to fall in Q2 2009 for all of the Corporation's operating segments. The impact of lower industry activity in both Canada and the US was further exacerbated by the seasonal activity decline in the Corporation's Canadian and North Dakota operations associated with spring break-up conditions that prevented the movement of equipment for the majority of the quarter. In response to the lower activity levels and competitive pricing pressure for the Corporation's services experienced in Q1 and Q2 of 2009, the Corporation undertook a number of cost cutting measures such as staff reductions and wage rollbacks intended to reduce operating costs. These cost cutting measures helped to mitigate some of the impact of the margin compression caused by the lower activity levels and reduced pricing for services.

On June 22, 2009 the Corporation acquired CanSub and merged its Canadian completions operations with CanSub, creating one of the largest wireline and well testing service providers in the WCSB. The Q2 2009 financial results included 8 days of revenue and operating results from CanSub.

Activity levels and pricing continued to be depressed in both Canada and the US during Q3 2009, resulting in a continued strain on Pure's revenue and margins. Pure's financial position was further challenged by the $20.8 million of long-term debt assumed as part of the CanSub acquisition. As part of an effort to refocus the Corporation's operations and strengthen the balance sheet, Pure sold its well fracturing assets effective August 14, 2009 for net proceeds of $38.8 million. As a result of this sale, a $16.9 million impairment was recognized to reflect the proceeds received on the sale being lower than the carrying value of the related assets. The financial results for the well fracturing operations for the eight quarters reflected in the chart above have been disclosed as discontinued operations.

Activity levels in Canada during Q4 2009 improved over Q3 2009, due in part to the typical increase for winter drilling and completion activities but also due to higher commodity prices for oil and natural gas. In addition, many of the Corporation's customers benefited from the infusion of capital from equity offerings completed during Q3 and Q4 2009, as capital markets became more receptive to oil and natural gas exploration and development companies. The drilling rig division posted improved utilization rates of 47% in Q4 2009 compared to the 34% posted in Q4 2008. Activity levels for Q4 2009 in the CCS segment's wireline and well testing divisions also realized improved equipment utilization rates over Q4 2008. However, margins for both the Drilling and CCS segments remained constrained due to the continuing competitive pricing for these services. In the US, equipment utilization rates also improved in Q4 2009 over the Q3 2009 levels, but similar to Canada, competitive pricing continued to constrain margins.

Drilling and completion activity levels in Canada continued to recover in Q1 2010, due to the improved commodity prices and improved financial position of Pure's customers. During Q1 2010, the Corporation's Canadian equipment fleets (CCS and Drilling segments) realized significantly higher utilization rates than the comparable Q1 2009 period. However, margins in both of these Canadian segments continued to be constrained by competitive pricing levels carried over from 2009. For CCS' operations, the negative impact of the lower pricing was partially offset by a streamlining of operating costs achieved through the full integration of CanSub's operations. In the USCS segment, revenues and gross margins improved over Q4 2009 due to higher equipment utilization as the active rig count increased in some of the segment's core operating areas. However, gross margins remained constrained due to the impact of competitive pricing that was implemented in the second half of 2009 as well as additional costs incurred in Q1 2010 to staff up in several of the segment's growing core operating areas in North Dakota and Pennsylvania.

During Q2 2010, the robust oil prices and stabilized natural gas prices resulted in a further recovery in drilling and completion activity levels in both Canada and the US. As a result of the improved equipment utilization rates, Pure recorded improved revenue and margins for all operating segments in Q2 2010 over the comparable Q2 2009. The strengthening activity levels allowed Pure to implement modest price increases for some of its services at the end of Q2 2010 and into Q3 2010 with the target of further improving margins over the second half of 2010.

On April 20, 2010, Pure acquired the US wireline assets and operations of an industry peer (including 10 wireline units) in exchange for Pure's non-core "Motorworks" drilling equipment rentals division and a cash payment of $2.4 million. As a result of this transaction, the Corporation's US wireline fleet expanded from 8 units to 17 units with the remaining wireline unit being added to the Canadian wireline fleet. The objective of this acquisition was to increase the US wireline capability to attract and retain more of the large customers operating in the Corporation's core US operating areas. As a result of the sale of Motorworks, the drilling equipment rental division financial results have been classified as discontinued operations for the eight quarters reflected in the chart above.

During Q3 2010, due to the strengthening drilling and completion activity levels in both western Canada and Pure's operating areas in the US, the Corporation realized strong equipment utilization rates and improved pricing for the majority of its service offerings. As a result, the Corporation realized significantly increased revenues, margins and net earnings from continuing operations compared to Q3 2009.

On October 1, 2010, the Corporation sold its drilling rig division for net proceeds of $33.5 million, all of which was used to pay down debt. As a result of this sale, the drilling rig division has been classified as discontinued operations for the eight quarters in the above chart. This transaction significantly improved Pure's financial position as the Corporation exited year end December 31, 2010 with a net working capital surplus (i.e. working capital net of long-term debt) of $10.4 million. A year earlier, on December 31, 2009, the Corporation had a working capital deficit of $32.3 million.

During Q4 2010, the CCS segment posted significantly improved revenue and gross margins over the comparable Q4 2009 period as the number of wells drilled (rig released) in western Canada increased by 52% on a quarter over quarter basis (from 2,665 in Q4 2009 to 4,061 in Q4 2010). The higher activity levels allowed Pure to implement additional pricing increases which positively impacted margins. However, a portion of these pricing increases were needed to absorb rising labour costs which reflected a tightening labour market. For the USCS segment, the strong activity levels in Q4 2010 in the core operating areas of North Dakota and Pennsylvania were offset by lower activity levels in Wyoming and Colorado (as two major clients in these areas delayed work until 2011). As a result of a lack of available field staff in the busy North Dakota and Pennsylvania regions, staff from other areas were brought in to crew equipment which negatively impacted margins. These factors both negatively impacted revenue and margins for USCS during Q4 2010. To address these issues, management of the USCS segment will be focusing efforts in 2011 on increasing local staff levels in all US operating areas plus expanding the client base in an attempt to obtain a more predictable revenue stream and improve gross margins.

LIQUIDITY AND CAPITAL RESOURCES

At December 31, 2010 Pure's working capital exceeded long-term debt by $10.4 million, a significant improvement over the working capital deficit (i.e. long-term debt higher than working capital) of $32.3 million at December 31, 2009. The improvement of $42.7 million resulted primarily from:

- Net proceeds of $33.5 million from the disposal of the drilling rig division during Q4 2010
- Net proceeds of $5.4 million from the sale of two redundant operating facilities during Q3 2010
- Funds flow from continuing operations generated during calendar 2010 of $19.5 million
- Less: capital expenditures from continuing operations for calendar 2010 of $15.6 million.

In January 2011, as a result of the Corporation's improved financial condition and in response to the strengthened industry activity levels, Pure announced a $38 million capital expenditure budget for 2011. The budget includes approximately $16 million for well testing operations and approximately $14 million for wireline operations (for the CCS and USCS segments combined) for revenue generating equipment and/or equipment that will reduce operating expenses. The remaining $8 million is planned for refurbishment of existing equipment, facility expansions and other infrastructure.

In addition to Pure's capital expenditure program for 2011, the Corporation has the following operating lease, purchase commitments and debt commitments over the next five years:

		Payments for years ending December 31,				
Contractual Obligations						After
($000's)	Total	2011	2012	2013	2014	2014
Long-term debt obligations [1]	$ 10,802	$ 2,447	$ 2,387	$ 2,387	$ 2,387	$ 1,194
Purchase commitments	1,166	1,166	-	-	-	-
Operating leases	34,533	7,608	6,527	6,087	4,579	9,732
Total contractual obligations	$ 46,501	$ 11,221	$ 8,914	$ 8,474	$ 6,966	$ 10,926

(1) Long-term debt obligations represent balances outstanding at December 31, 2010 under the US Term Loan and miscellaneous capital lease facilities. There were no amounts outstanding under the Canadian Revolving Facility and the US Revolving Loan at that date.

At December 31, 2010 Pure had aggregate available but undrawn credit facilities of $39.3 million broken down as follows: Canadian Revolving Facility - $25.0 million; Canadian Operating Facility - $11.8 million; and US Revolving Loan - $2.5 million. The Corporation believes that its available credit facilities, combined with funds flow from operations, will provide sufficient capital resources to fund near-term capital expenditures and ongoing operations. Pure's management continues to evaluate its capital and operational spending programs in response to industry conditions.

SHARE CAPITAL

As at March 15, 2011, the Corporation had 23.9 million shares issued and outstanding and 1.6 million options issued and outstanding, of which 0.3 million were vested.

FINANCIAL INSTRUMENTS

The Corporation's financial instruments consist primarily of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, operating loans and long-term debt.

The fair value of cash and cash equivalents, accounts receivable, income taxes receivable and accounts payable and accrued liabilities approximate their carrying amounts due to their short-terms to maturity (majority have terms less than 90 days).

The Corporation's operating loan and long-term debt bear interest at floating market interest rates. The fair value of the Corporation's operating loan and long-term debt approximate their carrying amounts as floating market interest rates and the margins charged by the Corporation's lenders reflect current credit spreads.

The classification, carrying value and estimated fair value for each type of financial instrument at December 31, 2010 and 2009 are as follows:

2010

	Category	Measurement Method	Carrying Value	Fair Value
Continuing Operations				
Cash and cash equivalents	Held for trading	Fair value	**$ 4,599**	**$ 4,599**
Accounts receivable	Loans and receivables	Amortized cost	**37,066**	**37,066**
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost	**(22,358)**	**(22,358)**
Operating loan	Other financial liabilities	Amortized cost	**(3,194)**	**(3,194)**
Long-term debt	Other financial liabilities	Amortized cost	**(10,802)**	**(10,802)**
Discontinued Operations				
Accounts receivable	Loans and receivables	Amortized cost	**52**	**52**
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost	**(60)**	**(60)**
			$ 5,303	**$ 5,303**

2009

	Category	Measurement Method	Carrying Value	Fair Value
Continuing Operations				
Cash and cash equivalents	Held for trading	Fair value	$ 1,986	$ 1,986
Accounts receivable	Loans and receivables	Amortized cost	23,297	23,297
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost	(15,275)	(15,275)
Long-term debt	Other financial liabilities	Amortized cost	(48,051)	(48,051)
Discontinued Operations				
Accounts receivable	Loans and receivables	Amortized cost	446	446
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost	(110)	(110)
			$ (37,707)	$ (37,707)

The Corporation did not enter into any derivative financial instrument contracts in 2010, and had no derivative financial instrument contracts outstanding as of December 31, 2010.

During Q4 2010 there were no changes in the fair values of financial instruments that required recognition in the Corporation's net earnings (loss) nor were there any deferred or unrecognized gains and losses on financial instruments as the all of the Corporation's financial instruments (other than cash and cash equivalents) are measured at their amortized cost.

The information below relates to the Corporation's exposure to the following financial risks, and includes discussion of the Corporation's objectives, policies and processes for measuring and managing these risks:

- Credit Risk
- Liquidity Risk
- Market Risk

The Corporation's risk management policies are established to identify and analyze the risks faced by the Corporation, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions related to the Corporation's activities.

Credit Risk

Credit risk is the risk of financial loss to the Corporation if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Corporation's trade receivables from customers.

The Corporation's exposure to credit risk in trade receivables is influenced mainly by the individual characteristics of each customer. A substantial portion of the accounts receivable are with customers who are dependent upon the oil and gas industry, and are subject to normal industry credit risks. The Corporation does not typically obtain collateral from its customers; however, the Corporation does have the ability to place a lien on a customer's well in the event of non-payment.

Under the Corporation's credit policy, each new customer is analyzed individually for credit worthiness before the Corporation's standard payment and delivery terms are offered. The Corporation's review process includes review of trade references, financial statements and debt analysis (bank references) in addition to input from management. Extending credit to existing customers will continue as long as these customers have an acceptable payment history and continuing acceptable financial condition. The Corporation will not extend credit to those customers that fail to meet the Corporation's benchmark credit tests and will only transact with these customers on a prepayment basis.

The Corporation's trade receivables at December 31, 2010 and 2009 are aged as follows:

2010

	0 to 30 days	31 to 60 days	61 to 90 days	91 to 120 days	>120 days	Total
Trade Receivables	**$ 18,368**	**$ 13,676**	**$ 3,059**	**$ 1,404**	**$ 611**	**$ 37,118**
	49%	**37%**	**8%**	**4%**	**2%**	**100%**

2009

	0 to 30 days	31 to 60 days	61 to 90 days	91 to 120 days	>120 days	Total
Trade Receivables	$ 13,887	$ 7,362	$ 1,782	$ 273	$ 439	$ 23,743
	58%	31%	8%	1%	2%	100%

The maximum exposure to credit risk is the carrying amount of the Corporation's trade receivables at December 31, 2010 of $37,118 (2009 - $23,743). The Corporation establishes an allowance for doubtful accounts that represents an estimate of incurred losses in respect of trade and other receivables. Customers with balances over 90 days are reviewed by management on a weekly basis and collection efforts are focused on these accounts. For balances over 120 days, an allowance is recorded if collection is deemed to be at risk.

The Corporation has exposure to one major customer in both its Canadian and US operations. The customer is a large public Canadian oil and natural gas exploration company. For the year ended December 31, 2010, 9% or $18,633 (2009 - 22% or $30,708) of the Corporation's total revenue (from continuing and discontinued operations) was derived from this customer. As at December 31, 2010, $2,470 (2009 – $1,966) of the Corporation's accounts receivable balance included amounts outstanding from this customer.

During 2010, the Corporation increased its allowance for doubtful accounts receivable by $190 (2009 - $500), of which $190 (2009 - $223) related to the provision for bad debts and $nil (2009 - $277) related to allowances

assumed as part of business acquisitions (Note 4). The Corporation wrote off $390 (2009 - $314) of customers' accounts deemed uncollectible against the allowance for doubtful accounts during 2010.

Liquidity Risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they become due. The Corporation's approach to managing liquidity is to ensure, as much as possible, that it will always have sufficient cash and cash equivalents to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Corporation's reputation.

In managing liquidity risk, the Corporation prepares annual operating and capital expenditure budgets, which are approved by the Corporation's Board of Directors and regularly monitored and updated as considered necessary. The Corporation utilizes authorizations for capital expenditures to further manage its capital expenditure program.

Management believes that the Corporation has sufficient access to capital through internally generated cash flows and its available credit facilities to meet its financial obligations. The Corporation maintains a $15,000 Cdn Operating Facility, a $25,000 Cdn Revolving Facility and a USD $2,500 US Revolving Loan (Note 9) of which $11,806, $25,000 and $2,487 respectively, were available but undrawn at December 31, 2010. In addition to these credit facilities, the Corporation also had cash and accounts receivables as at December 31, 2010, in the amounts of $4,599 and $37,118 respectively, for a total of $81,010 available to fund the cash outflows relating to its financial liabilities.

The following is a summary of the contractual maturities of financial liabilities, including interest payments based on interest rates in effect at the balance sheet date, at December 31, 2010:

	Carrying Amount	Contractual Cash Flows	6 Months Or Less	6 to 12 Months	1 to 3 Years	4 to 5 Years	After 5 Years
Accounts payable and accrued liabilities	$ 22,418	$ 22,418	$ 22,418	$ -	$ -	$ -	$ -
Cdn Operating Facility	3,194	3,194	3,194	-	-	-	-
Cdn Revolving facility*	-	-	-	-	-	-	-
US Revolving facility*	-	-	-	-	-	-	-
US Term loan*	10,742	11,844	1,423	1,396	5,317	3,708	-
Capital lease facilities*	60	61	61	-	-	-	-
Purchase commitments	-	1,166	1,166				
Operating leases*	-	34,533	4,022	3,586	12,614	8,189	6,122
Total	36,414	73,216	32,284	4,982	17,931	11,897	6,122

**Contractual cash flows include principal plus interest*

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and commodity prices, will affect the Corporation's earnings or the value of its financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the returns.

Currency Risk

As the Corporation operates in Canada and the US, fluctuations in the exchange rate between the US/Canadian dollar can have a significant effect on the fair value of future cash flows of the Corporation's financial assets and liabilities.

The Canadian operations are exposed to currency risk on foreign currency denominated financial assets and liabilities with adjustments recognized as foreign exchange gains and/or losses in the consolidated statement of earnings (loss).

Since the Corporation's US operations utilize a US dollar functional currency, the Corporation is exposed to currency risk on the translation of the US operations' financial assets and liabilities to Canadian dollars for consolidation. Adjustments arising from translating the self-sustaining US operations into Canadian dollars are reflected in the consolidated statement of accumulated other comprehensive income (loss) as unrealized gains or losses.

For the years ended December 31, 2010 and 2009, a fluctuation of one percent in the value of the US dollar would have amounted to a change in net earnings (loss) and other comprehensive income of $45 (2009 - $4) and $291 (2009 - $295) respectively.

Management does not use any derivative instruments to hedge this risk. The Corporation had no forward exchange rate contracts in place as at or during the years ended December 31, 2010 and 2009.

Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Corporation is exposed to interest rate fluctuations on its variable rate long-term debt and its variable rate operating loan. As at December 31, 2010, all borrowings, except capital leases of $60 (2009 - $151), were at variable rates.

The impact of changes in interest rates on the Corporation's interest expense calculated based on the average monthly balances of variable rate debt facilities during the years ended December 31, 2010 and 2009 is as follows:

	2010	2009
First one percent increase in interest rates	**430**	542
For each subsequent one percent increase in interest rates	**461**	542
For each one percent decrease in interest rates	**(396)**	(542)

Note: The Corporation's US Term Loan and US Revolving Loan are subject to an interest rate floor of 4.5%

The Corporation will consider utilizing interest rate swap or other financial contracts in order to mitigate the impact of interest rate fluctuations during periods when it anticipates interest rates to be volatile. The Corporation did not have any interest rate swap or financial contracts in place for the years ended December 31, 2010 and 2009.

Commodity Price Risk

The Corporation is not directly exposed to commodity price risk as it does not have any contracts that are directly based on commodity prices. A change in commodity prices, specifically oil and natural gas prices, could have a material impact on cash flows of the Corporation's customers and could therefore affect the demand for drilling and well completion services from these customers and their ability to pay debts owing to the Corporation. The financial impact of fluctuations in oil and natural gas prices on the Corporation's financial results cannot be quantified given that this is an indirect influence.

TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

In February 2008, the CICA Accounting Standards Board ("AcSB") confirmed that the changeover to IFRS from Canadian Generally Accepted Accounting Principles ("Canadian GAAP") will be required for publicly accountable enterprises effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition from Canadian GAAP to IFRS is a significant undertaking, and will materially affect the Corporation's financial reports due to changes in accounting policies, disclosures, processes and systems.

To date the Corporation has made significant progress in its IFRS conversion project, including the following:

- Finalizing its review of the areas where differences between Canadian GAAP and IFRS are likely to have a material impact on the Corporation's financial reporting;
- Selecting its IFRS accounting policies and IFRS 1 exemptions;
- Designing, testing and implementing accounting systems to be used for parallel Canadian GAAP/IFRS reporting for the 2010 year, and IFRS reporting for 2011 onwards;
- Training accounting, financial reporting and operations personnel on the changes expected under IFRS;
- Preparation of the calendar 2011 financial budgets under IFRS;
- Completion of the Corporation's opening January 1, 2010 IFRS balance sheet which has been substantially reviewed by the Corporation's auditors; and
- Substantial completion of the IFRS adjustments for the 2010 year end and interim periods. These adjustments are scheduled for review by the Corporation's auditors in early April.

Changes in Accounting Policies

There are a number of areas where differences between Canadian GAAP and IFRS exist, which may result in changes to the Corporation's accounting policies and financial reporting as a result of the transition to IFRS. Pure has focused on the following key areas where the transition is expected to have a material impact on the Corporation's financial statements. Management has completed the calculation of the impact of the changes on the financial statements but these adjustments are unaudited and should not be considered as final. The following comments should not be regarded as a complete list of changes that will result from the transition to IFRS, and are intended only to highlight those areas that Pure believes to be the most significant. Management has obtained approval from the audit committee with respect to these changes.

Property & Equipment

IFRS requires that each component of an item of property and equipment that is significant in relation to the total cost of the item be depreciated separately. This change will affect the carrying amount of property and equipment on the opening IFRS balance sheet at January 1, 2010, as well as depreciation expense for 2010 and later years.

This IFRS transition adjustment has led to a slightly accelerated depreciation expense and a resulting decrease in the carrying amount of property and equipment at January 1, 2010 of *approximately* $5 million (of which *approximately* $3.5 million relates to continuing operations). A corresponding decrease will be recorded to retained earnings.

Leases

IFRS uses a principles based approach in determining whether a lease is an operating lease or a finance lease. Essentially, the classification of a lease under IFRS depends on the substance of the transaction. In contrast, Canadian GAAP prescribes certain quantitative measures for determining the classification of leases. Currently, under Canadian GAAP, the Corporation classifies all of its material leases as operating leases. Under IFRS, the Corporation will be required to classify some of these leases as finance leases. As a result, an asset and corresponding liability will be recognized on the balance sheet for those leases, and opening retained earnings will be adjusted for lease payments which would have been previously expensed, net of depreciation of capitalized asset amounts.

As a result of this IFRS transition adjustment, Pure expects the carrying amount of its property and equipment on the January 1, 2010 balance sheet to increase by *approximately* $5 million (substantially all of which relates to continuing operations), as well as finance lease liabilities to increase by *approximately* $5 million. The net of these changes will be recorded to retained earnings.

Impairment

In order to test property and equipment for impairment, IFRS uses the concept of cash generating units ("CGU's"). A CGU is the lowest level of assets for which identifiable cash flows are largely independent of the cash flows of other assets. Management has performed impairment testing for the Corporation's property and equipment under IFRS. In testing for impairment, IFRS requires discounted cash flows to be used, whereas Canadian GAAP uses undiscounted cash flows in a preliminary step. Impairment losses are required to be reversed under IFRS in cases where circumstances have changed, whereas impairment losses are not reversed under Canadian GAAP. As a general rule, impairment is more likely to be recognized under IFRS than under Canadian GAAP due to the IFRS requirement to use discounted future cash flows in the impairment analysis.

As a result of this IFRS transition adjustment, Pure expects to recognize an impairment charge at January 1, 2010 in relation to the drilling rig division property and equipment of *approximately* $7.5 million (none of which relates to continuing operations). A corresponding adjustment will be recorded to retained earnings.

Share Based Payments

When recognizing share based payment expenses, Canadian GAAP and IFRS differ in the timing, and potentially the amount, of expense recognition.

As a result of this IFRS transition adjustment, the Corporation expects its contributed surplus to increase by an immaterial amount at January 1, 2010. A corresponding adjustment will be recorded to retained earnings.

Income Taxes

The carrying amounts used in determining the Corporation's deferred tax assets and deferred tax liabilities at January 1, 2010 will be directly impacted by the IFRS transition adjustments noted above. Pure is estimating that net deferred tax assets will increase by *approximately* $3 million. A corresponding adjustment will be recorded to retained earnings.

IFRS 1 Elections

As a general rule, adopting companies are required to apply IFRS retrospectively, with prior period adjustments made against opening retained earnings on the opening January 1, 2010 balance sheet. However, IFRS 1 provides a number of exemptions from full retrospective application of IFRS. Management has examined IFRS 1 and identified the following exemptions which are expected to be significant to the Corporation:

- **Business Combinations** – Management has elected not to restate any business combinations that have occurred prior to January 1, 2010. However, Pure has early adopted CICA Handbook Section 1582 "Business Combinations", which is substantially converged with the equivalent IFRS standards for business combinations. Pure has taken this step in order to minimize or eliminate any differences between Canadian GAAP and IFRS for business combinations occurring in 2010.
- **Property and Equipment** – Management has elected not to use fair value at January 1, 2010 as the deemed cost in respect of the Corporation's property and equipment. Instead, the Corporation plans to apply IFRS retrospectively to its property and equipment at January 1, 2010.
- **Share Based Payments** – Management has elected not to restate the Corporation's share based payment expense for share based payments granted and vested prior to January 1, 2010.
- **Cumulative Translation Adjustment ("CTA")** – Management has elected to reset the Corporation's CTA to zero at January 1, 2010 to avoid a recalculation of the cumulative translation balance of Pure's net investment in the Corporation's US subsidiary prior to this date.

Presentation and Disclosure

IFRS disclosure requirements are more onerous than those under Canadian GAAP and also provide choices for presentation of the financial statements (for example, on the statement of comprehensive income, and

statement of cash flows). Management is in the process of determining its disclosure requirements and choices under IFRS.

Internal Controls and Processes

The Corporation has updated its processes and internal controls over financial reporting to accommodate the IFRS transition. In addition, accounting and management staff have been trained on the impacts of IFRS adoption, including changes in the recording of certain transactions, changes in management reporting, etc.

CRITICAL ACCOUNTING ESTIMATES

The Corporation prepares its consolidated financial statements in accordance with Canadian GAAP. In preparing its financial statements, management is required to make various estimates and judgments in determining the reported amounts of assets and liabilities, revenues and expenses, as well as the disclosure of commitments and contingencies. Management bases its estimates and judgments on its own experience and various other assumptions believed to be reasonable at the time and under the circumstances in existence when the financial statements were prepared. Anticipating future events cannot be done with certainty; therefore, these estimates may change as new events occur, more experience is acquired or the Corporation's operating environment changes. The accounting estimates believed by management to require the most difficult, subjective or complex judgments and which are material to the Corporation's financial reporting results are set out below.

Impairment of Long-Lived Assets

Long-lived assets, which include property and equipment and property held for sale, are tested for impairment when there is an indication of impairment. Indications of impairment include items such as an ongoing lack of profitability and significant changes in technology. When an indication of impairment exists, the Corporation tests for impairment by comparing the carrying value of the asset to the sum of the estimated non-discounted future cash flows expected from its use and eventual disposition. If the carrying value is greater than the non discounted future cash flows, an impairment loss is recognized to reduce the asset's carrying value to its estimated fair value. Estimates of non discounted future net cash flows are calculated using estimated future revenues, operating expenses and other costs. These estimates are subject to risk and uncertainties, and it is possible that changes in estimates could occur which may affect the estimated fair values of the Corporation's long-lived assets.

Depreciation and Amortization of Property and Equipment and Property Held for Sale

Depreciation and amortization is calculated using the straight-line, declining balance or units of production methods over the estimated useful life of the assets. Management bases the estimate of the useful life and salvage value of equipment on expected utilization, technological change and effectiveness of maintenance programs. Although management believes the estimated useful lives and salvage values of the Corporation's equipment are reasonable, they cannot be certain that depreciation and amortization expense measures the actual reduction in the value of property and equipment over time.

Income Taxes

The Corporation follows the asset and liability method of accounting for income taxes. Under this method, the Corporation records future income taxes for the effect of any difference between the accounting and income tax basis of an asset or liability, using the substantively enacted tax rates. Valuation allowances are established to reduce future tax assets when it is more likely than not that some portion or all of the future tax asset will not be realized. Estimates of future taxable income and the continuation of ongoing prudent tax planning arrangements have been considered in assessing the utilization of available tax losses and to determine the reversal of temporary timing differences between accounting and tax amounts. Changes in circumstances and assumptions may result in changes to the valuation of the Corporation's future tax assets.

Stock-based Compensation

The Corporation uses assumptions such as future share price volatility, forfeiture rates, etc when calculating the estimated fair values of stock options granted to employees, officers and consultants of the Corporation. Actual values for these assumptions may vary materially from initial estimates resulting in a potential material variance in the actual stock-based compensation compared to the original estimate

RISKS AND UNCERTAINTIES

While the demand for Pure's products and services is largely a function of the supply, demand and price of oil and natural gas, the following risk factors can affect the business either positively or negatively:

Variability of Industry Conditions

The demand, pricing and terms for oilfield services in the Corporation's existing or anticipated service areas largely depends upon the level of exploration and development activity for both crude oil and natural gas in the WCSB, the Rocky Mountain region, North Dakota and the Appalachian Basin. Oil and natural gas industry conditions are influenced by numerous factors over which the Corporation has no control, including: oil and natural gas prices; expectations about future oil and natural gas prices; levels of consumer demand; the cost of exploring for, producing and delivering oil and natural gas; the expected rates of declining current production; the discovery rates of new oil and natural gas reserves; available pipeline and other oil and natural gas transportation capacity; weather conditions; political, regulatory and economic conditions; and the ability of oil and natural gas companies to raise equity capital or debt financing.

The level of activity in the oil and natural gas exploration and production industry in the WCSB, the Rocky Mountain region, North Dakota and the Appalachian Basin is unpredictable. Any prolonged substantial reduction in oil and natural gas prices would likely affect oil and natural gas production levels and therefore affect the demand for drilling and well services by oil and natural gas exploration and production entities. A material decline in crude oil or natural gas prices or industry activity could have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows. Lower oil and natural gas prices could also cause the Corporation's customers to seek to terminate, renegotiate or fail to honour the Corporation's services contracts; affect the fair market value of the Corporation's equipment fleet which in turn could trigger a write-down for accounting purposes; affect the Corporation's ability to retain skilled oilfield services personnel; and affect the Corporation's ability to obtain access to capital to finance and grow the Corporation's business.

Credit Risk and Economic Dependence

All of the Corporation's accounts receivable are with customers in the oil and natural gas industry in Canada and the United States, whose cash flow may be significantly impacted by many factors including commodity prices, the success of drilling programs, well reservoir decline rates and access to capital. As a result, the Corporation faces some risk of non-payment from its customers. In order to mitigate this risk, Pure Energy's customers are subject to an internal credit review along with ongoing monitoring of the amount of the age of receivable balances outstanding. During the year ended December 31, 2010, the Corporation recorded a nominal amount in bad debt write-offs from accounts receivable amounts deemed to be uncollectable.

The Corporation has exposure to one major customer in both its Canadian and US operations. The customer is a large public Canadian oil and natural gas exploration company. For the year ended December 31, 2010, 9% or $18.6 million (2009 - 22% or $30.7 million) of the Corporation's total revenue (from continuing and discontinued operations) was derived from this customer. As at December 31, 2010, $2.5 million (2009 – $2.0 million) of the Corporation's accounts receivable balance included amounts outstanding from this customer.

Seasonality

Equipment utilization in the Corporation's Canadian operations is affected by weather conditions to varying degrees, with geographic location and type of service being a factor. Canadian oilfield service operations tend to be more active during the winter months from November through March as the movement of heavy equipment is easier over frozen ground and many well site locations are only accessible during the winter months. Canadian oilfield service operations typically experience the lowest levels of equipment utilization during April and May; however, field operations located in northern British Columbia and northern Alberta typically also experience reduced activity levels throughout the summer months. All services provided by Canadian operations are affected by wet weather and road bans. The variability in the weather can therefore create unpredictability in activity and utilization rates in different calendar periods, which may have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows.

In the US, the Corporation's operations are not affected by seasonality to the same extent as in Canada, except that the US operations typically experience lower activity levels in the winter months compared to the rest of the year due to colder temperatures.

Vulnerability to Market Changes

Fixed costs, including costs associated with facility and office leases, vehicle leases and the fixed wage portions of field and office employees account for a significant portion of the Corporation's operating expenses. As a result, reduced productivity resulting from reduced demand, equipment failure, adverse weather conditions or other factors could significantly affect financial results.

Competition

The oilfield service industry is highly competitive and the Corporation competes with a substantial number of companies, some of which have greater technical and financial resources. The Corporation's ability to generate revenue and earnings depends primarily upon its ability to win bids in competitive bidding processes and to provide high quality service for awarded projects within estimated times and costs. There can be no assurance that such competitors will not substantially increase the resources devoted to the development and marketing of products and services that compete with those of the Corporation or that new or existing competitors will not enter the various markets in which the Corporation is active. In certain aspects of its business, the Corporation also competes with a number of small and medium-sized companies, which have certain competitive advantages such as low overhead costs and specialized regional strengths. In addition, reduced levels of activity in the oil and natural gas industry can intensify competition and may result in lower revenue to the Corporation.

Dependence on Suppliers

The ability of the Corporation to compete and grow will be dependent on the Corporation having access, at a reasonable cost and in a timely manner, to equipment, parts, components and consumables. Failure of suppliers to deliver such equipment, parts, components and consumables at a reasonable cost and in a timely manner would be detrimental to the Corporation's ability to maintain existing customers and expand its customer list. No assurances can be given that the Corporation will be successful in maintaining its required supply of equipment, parts, components and consumables. Management maintains relationships with a number of suppliers to mitigate this risk. However, if the current suppliers are unable to provide the necessary equipment, parts, components and consumables, any resulting delays in the provision of services to the Corporation's customers could have a material adverse effect on the Corporation's results of operations and the Corporation's financial condition.

Operating Risk and Insurance

The Corporation has an insurance and risk management program in place to protect its assets, operations and employees. The Corporation also has programs in place to address compliance with current safety and regulatory standards. However, the Corporation's operations are subject to risks inherent in the oilfield services industry, such as equipment defects (of either the Corporation's or a third party's equipment), malfunction, failures and natural disasters. In addition, hazards such as unusual or unexpected geological formations, pressures, blow-outs, fires or other conditions may be encountered in drilling, completing and servicing of wells. Although such hazards are primarily the responsibility of the oil and natural gas companies which contract with the Corporation, these risks and hazards could expose the Corporation to substantial liability for personal injury, loss of life, business interruption, property damage or destruction, pollution and other environmental damages. The Corporation continually monitors its activities for quality control and safety and, although the Corporation maintains insurance coverage that it believes to be adequate and customary in the industry, such insurance may not be adequate to cover potential liabilities and may not be available in the future at rates that the Corporation considers reasonable and commercially justifiable.

Equipment and Technology Risks

The ability of the Corporation to meet customer demands in respect of performance and cost will depend upon continuous improvements in operating equipment. There can be no assurance that the Corporation will be successful in its efforts in this regard or that it will have the resources available to meet this continuing demand. Failure by the Corporation to do so could have a material adverse effect on the Corporation. No assurances can be given that competitors will not achieve technological advantages over the Corporation.

The Corporation has not sought or obtained patent or other similar protection in respect of any material tools, equipment or technology it has developed independently. In the future, the Corporation may seek patents or other similar protections in respect of particular tools, equipment and technology; however, the Corporation may not be successful in such efforts. Competitors may also develop similar tools, equipment and technology to those of the Corporation thereby adversely affecting the Corporation's competitive advantage in one or more of its businesses. Additionally, there can be no assurance that certain tools, equipment or technology developed by the Corporation may not be the subject of future patent infringement claims or other similar matters which could result in litigation, the requirement to pay licensing fees or other results that could have a material adverse effect on the business, results of operations and financial condition of the Corporation.

Environmental Liability

The Corporation is subject to various environmental laws and regulations enacted in the jurisdictions in which it operates which govern the manufacture, processing, importation, transportation, handling and disposal of certain materials used in the Corporation's operations. The Corporation has established procedures to address compliance with current environmental laws and regulations and monitors its practices concerning the handling of environmentally hazardous materials. However, there can be no assurance that the Corporation's procedures will prevent environmental damage occurring from spills of materials handled by the Corporation or that such damage has not already occurred. On occasion, substantial liabilities to third parties may be incurred. The Corporation may have the benefit of insurance maintained by it or the operator; however the Corporation may become liable for damages against which it cannot adequately insure or against which it may elect not to insure because of high costs or other reasons.

The Corporation's customers are subject to similar environmental laws and regulations, as well as limits on emissions to the air and discharges into surface and sub-surface waters. While regulatory developments that may follow in subsequent years could have the effect of reducing industry activity, the Corporation cannot predict the nature of the restrictions that may be imposed. The Corporation may be required to increase operating expenses or capital expenditures in order to comply with any new restrictions or regulations.

Reliance on Personnel

The success of the Corporation is dependent upon its management, technical and field personnel. Any loss of the services of such individuals could have a material adverse effect on the business and operations of the Corporation. The ability of the Corporation to expand its services is dependent upon its ability to attract additional qualified employees. The ability to secure the services of additional personnel is constrained in times of strong industry activity.

Government Regulation

The oil and natural gas industry in Canada and the US is subject to federal, provincial, state and municipal legislation and regulation governing such matters as land tenure, commodity prices, production royalties, production rates, environmental protection controls, the exportation of crude oil, natural gas and other products, as well as other matters. The industry is also subject to regulation by governments in such matters, including laws and regulations relating to health and safety, the conduct of operations, the protection of the environment and the manufacture, management, transportation, storage and disposal of certain materials used in the Corporation's operations. Government regulations may change from time to time in response to economic or political conditions. The exercise of discretion by governmental authorities under existing regulations, the implementation of new regulations or the modification of existing regulations affecting the crude oil and natural gas industry could reduce demand for the Corporation's services or increase its costs, either of which could have a material adverse impact on the Corporation.

During the period from January, 2009 to March, 2010, significant changes were made to the oil and natural gas production royalty regime for the Province of Alberta which had a negative effect on industry activity levels in Alberta. In March 2010 and in response to the declining industry activity levels, the Alberta government announced permanent changes to the royalty regime which effectively reinstated the royalty regime which existed prior to January 2009. Given the previous changes in the Alberta royalty regime, it is not possible to predict if or when any further changes may occur. Changes to the royalty regime in Alberta are subject to certain risks and uncertainties, and may result in an adverse effect on the industries in which the Corporation operates.

In the US, there have been increasing concerns regarding whether the chemicals and fluids used in hydraulic fracturing operations contaminate well water or aquifers. A number of federal and state governments and governmental agencies have initiated investigations regarding these concerns and legislation has been introduced in the US House of Representatives and Senate which would require the reporting and public disclosure of chemicals used in the fracturing process. In addition, some state governments have instituted moratoriums on hydraulic fracturing. While the moratoriums currently imposed do not affect any of the Corporation's operating areas, it is not possible to determine whether additional moratoriums will be imposed in any of the states in which the Corporation currently or proposes to operate. The imposition of any additional moratoriums on hydraulic fracturing or the adoption of any future federal or state laws imposing reporting obligations on or otherwise limiting the hydraulic fracturing process could make it more difficult to complete affected oil and natural gas wells and could have an adverse effect on the demand for the Corporation's services and the Corporation's financial condition, results from operations and cash flows.

A number of federal, provincial and state governments have announced intentions to regulate greenhouse gases and other air pollutants. These governments are currently developing the regulatory and policy frameworks to deliver on these announcements. In most cases, there are few technical details regarding the implementation and coordination of the plans to reduce emissions. It is also expected that further federal, provincial and state announcements and regulatory frameworks to address emissions will emerge. These initiatives may result in increased operating costs and capital expenditures for oil and natural gas producers, thereby potentially decreasing the demand for the Corporation's services. Given the evolving nature of emission regulation, management is unable to predict the impact of these initiatives on the Corporation. It is

possible that these initiatives will adversely affect the Corporation's business, financial condition, results of operations and cash flows.

Alternatives to and Changing Demand for Petroleum Products

Fuel conservation measures, alternative fuel requirements, increasing consumer demand for alternatives to oil and natural gas, and technological advances in fuel economy and energy generation devices could reduce the demand for crude oil, natural gas and other liquid hydrocarbons. The Corporation cannot predict the impact of changing demand for oil and natural gas products, and any major changes may have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows.

Business Continuity, Disaster Recovery and Crisis Management

Inability to restore or replace critical capacity in a timely manner may impact business and operations. A serious event could have a material adverse effect on Pure's business, results of operations and financial condition. This risk is mitigated by the development of business continuity arrangements, including disaster recovery plans and back-up delivery systems, to minimize any business disruption in the event of a major disaster. Insurance coverage may minimize any losses in certain circumstances.

Access to Additional Financing

There can be no assurances that additional debt or equity financing, if required, will be available to the Corporation when needed or on terms acceptable to the Corporation. The Corporation's ability to obtain financing to support ongoing operations or to fund capital expenditures or acquisitions could limit the Corporation's growth and may have a material adverse effect upon the Corporation.

Interest Rate Risk

The Corporation's Canadian term and operating loans and its US term loan have floating interest rate terms. The floating interest rate terms give rise to interest rate cash flow risk as interest payments are recalculated as the market rates change. Management currently does not see this risk as significant due to a history of reasonably stable interest rates in Canada and the US, and its expectations of future interest rates.

Foreign Exchange Risk

The Corporation is exposed to foreign currency fluctuations in relation to its US operations. The reported results of the US operations are affected primarily by the movement in exchange rates between the Canadian and US dollars. The Corporation's Canadian operations include small exchange rate exposure as some accounts payable are for materials and equipment purchased from suppliers located outside of Canada, including the US and the United Kingdom. No hedging positions are currently in place.

Conflicts of Interest

Certain of the directors and officers of the Corporation are also directors and/or officers of oil and natural gas exploration and production entities and/or other oilfield services companies, and conflicts of interest may arise between their duties as officers and directors of the Corporation and as officers and directors of such other companies. Such conflicts must be disclosed in accordance with, and are subject to such other procedures and remedies as apply under, the Alberta Business Corporation's Act ("ABCA").

Legal Proceedings

The Corporation is involved in litigation from time to time in the ordinary course of business. Although the Corporation is not currently a party to any material legal proceedings, legal proceedings could be filed against the Corporation in the future. No assurance can be given as to the final outcome of any legal proceedings or that the ultimate resolution of any legal proceedings will not have a material adverse effect on the Corporation.

Dilution and Future Sales of Common Shares

The Corporation may issue additional Common Shares in the future, which may dilute a Shareholder's holdings in the Corporation. The Corporation's articles permit the issuance of an unlimited number of Common Shares and an unlimited number of preferred shares, issuable in series, and Shareholders will have no pre-emptive rights in connection with such further issuances. The Board of Directors of the Corporation has the discretion to determine the provisions attaching to any series of preferred shares and the price and the terms of issue of further issuances of Common Shares.

Failure to Realize Anticipated Benefits of Acquisitions

The Corporation makes acquisitions of businesses and assets in the ordinary course of business. Achieving the benefits of acquisitions depends in part on successfully consolidating functions, retaining key employees and customer relationships and integrating operations and procedures in a timely and efficient manner. Such integration may require substantial management effort and time and resources which may divert management's focus from other strategic opportunities and operational matters and ultimately the Corporation may fail to realize anticipated benefits of acquisitions.

CERTIFICATION OF ANNUAL FILINGS

Disclosure Controls and Procedures

The Chief Executive Officer and Chief Financial Officer are responsible for establishing and maintaining the Corporation's disclosure controls and procedures. They are assisted in this responsibility by the Corporation's senior management team. Disclosure controls and procedures have been designed to ensure that information required to be disclosed by the Corporation is accumulated and communicated to senior management as appropriate to allow timely decisions regarding required disclosure. An evaluation of the design and operating effectiveness of the Corporation's disclosure controls and procedures as at December 31, 2010 was performed under the supervision of the Chief Executive Officer and Chief Financial Officer and with participation of the Corporation's senior management. The Chief Executive Officer and Chief Financial Officer have concluded that the Corporation's disclosure controls and procedures are not operating effectively due to the weakness in internal controls over financial reporting discussed below.

Internal Controls over Financial Reporting

The Chief Executive Officer and Chief Financial Officer of the Corporation are responsible for designing internal controls over financial reporting or causing them to be designed under their supervision in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP. An evaluation of the design and operating effectiveness of the Corporation's internal controls over financial reporting as of December 31, 2010 was performed under the supervision of the Chief Executive Officer and Chief Financial Officer and with participation of the Corporation's senior management.

Based on the Chief Executive Officer and Chief Financial Officer's review of the design and operating effectiveness of Pure's internal controls over financial reporting, the Chief Executive Officer and Chief Financial Officer have concluded that there is a material weakness in the Corporation's internal controls over financial reporting and therefore these controls were not operating effectively at December 31, 2010. This weakness is attributed to the lack of internal expertise at Pure to handle certain non-routine and complex accounting and taxation issues, including those accounting and taxation issues related to Pure's US operations. Where possible, the Corporation consults with third party advisors in dealing with complex and non-routine accounting and taxation issues.

Because of their inherent limitations, disclosure controls and procedures and internal controls over financial reporting may not prevent errors or fraud. Control systems, no matter how well conceived or implemented, can provide only reasonable, not absolute, assurance that the objectives of the control systems are being met.

NON-GAAP MEASURES

EBITDA, EBITDAS and Funds flow from operations do not have standardized meanings prescribed by Canadian GAAP. Management believes that, in addition to net earnings (loss), EBITDA and EBITDAS are useful supplemental measures. EBITDA and EBITDAS are provided as measures of operating performance without reference to financing decisions, depreciation or income tax impacts, which are not controlled at the operating management level. EBITDAS also excludes stock-based compensation expense as it is also not controlled at the operating management level. Investors should be cautioned that EBITDA and EBITDAS should not be construed as alternatives to net earnings (loss) determined in accordance with Canadian GAAP as an indicator of the Corporation's performance. The Corporation's method of calculating EBITDA and EBITDAS may differ from that of other entities and accordingly may not be comparable to measures used by other entities. See section titled "Reconciliation of EBITDA and EBITDAS to Net Earnings (Loss)" below.

Funds flow from operations is defined as cash from operating activities before changes in non-cash working capital, as presented on the Corporation's statement of cash flows. Funds flow from operations is a measure that provides investors with additional information regarding the Corporation's liquidity and its ability to generate funds to finance its operations. Funds flow from operations does not have a standardized meaning prescribed by Canadian GAAP and may not be comparable to similar measures provided by other entities.

RECONCILIATION OF EBITDA AND EBITDAS TO NET EARNINGS (LOSS) – CONTINUING OPERATIONS

	Three months ended December 31,		Years ended December 31,	
($000's, from continuing operations)	**2010**	2009	**2010**	2009
Net earnings (loss) before income tax	**$ 6,162**	$ (3,710)	**$ 8,215**	$ (15,919)
Add: Depreciation and amortization	**3,208**	2,754	**11,222**	10,280
Interest (total)	**235**	573	**2,141**	2,155
Impairment of property held for sale	**89**	1,012	**89**	1,012
Gain on sale of property and equipment	**216**	(984)	**(638)**	(1,318)
Foreign exchange (gain) loss	**97**	(712)	**82**	(470)
EBITDA	**$ 10,007**	$ (1,067)	**$ 21,111**	$ (4,260)
Add: Stock-based compensation expense	**157**	318	**490**	725
EBITDAS	**$ 10,164**	$ (749)	**$ 21,601**	$ (3,535)

FORWARD-LOOKING STATEMENTS

This document contains certain forward-looking statements and other information that are based on the Corporation's current expectations, estimates, projections and assumptions made by management in light of its experience and perception of historical trends, current conditions, anticipated future developments and other factors believed by management to be relevant.

All statements and other information contained in this document that address expectations or projections about the future are forward-looking statements. Some of the forward-looking statements may be identified by words such as "may", "would", "could", "will", "intends", "targets", "expects", "believes", "plans", "anticipates", "estimates", "continues", "maintains", "projects", "indicates", "outlook", "proposed", "objective" and other similar expressions. These statements speak only as of the date of this document. Forward-looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results,

and will not necessarily be accurate indications of whether or not such results will be achieved. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements, including, but not limited to, the factors discussed in the "Risks and Uncertainties" section in this MD&A and the most recent Annual Information Form, Information Circular, quarterly reports, material change reports and news releases. The Corporation cannot assure investors that actual results will be consistent with the forward-looking statements and readers are cautioned not to place undue reliance on them. The forward-looking statements are provided as of the date of this document and, except as required pursuant to applicable securities laws and regulations, the Corporation assumes no obligation to update or revise such statements to reflect new events or circumstances.

The forward-looking statements and information contained in this document reflect several major factors, expectations and assumptions of the Corporation, including without limitation, that the Corporation will continue to conduct its operations in a manner substantially consistent with past operations, other than its well fracturing operations, drilling equipment rental operations and the drilling rig operations; the general continuance of current or, if applicable, assumed industry conditions; the continuance of existing (and in certain circumstances, the implementation of proposed) taxation, royalty and regulatory regimes; the continuance of current or future increased pricing for the Corporation's services; certain commodity prices and other cost assumptions; certain conditions regarding oil and natural gas supply, demand and storage in North America; and the continued availability of adequate debt and/or equity financing and cash flow from the Corporation's operations to fund its capital and operating requirements as needed; and the extent of its liabilities. Many of these factors, expectations and assumptions are based on management's knowledge and experience in the industry and on public disclosure of industry participants and analysts relating to anticipated exploration and development programs of oil and natural gas producers, the effect of changes to regulatory, taxation and royalty regimes, expected active rig counts and industry equipment utilization in the WCSB and the US Rocky Mountain, North Dakota and Appalachian Basin regions and other matters. The Corporation believes that the material factors, expectations and assumptions reflected in the forward-looking statements and information are reasonable; however, no assurances can be given that these factors, expectations and assumptions will prove to be correct.

In particular, this document contains forward-looking information pertaining to the following: ability to reduce costs in response to lower industry activity levels; success of marketing programs; capital expenditure programs; ability to move equipment within operating locations; availability of debt financing and ability to renew the Corporation's existing credit facilities, at acceptable terms; supply and demand for oilfield services and industry activity levels; oil and natural gas prices; oil and natural gas drilling activity; treatment under governmental royalty programs or regimes; collection of accounts receivable; operating risk liability; expectations regarding market prices and costs; expansion of services and operations in Canada and the US; the integration of assets and personnel from acquisitions; increases in the pricing for the Corporation's services; reduction of debt levels; net working capital levels; the amount and timing of recognition of income tax recoveries, income tax losses and deferred expense pools; the effect of implementation of IFRS on the Corporation's financial reports and related accounting policies; future customer work; expected levels of the Corporation's sales, general and administrative expenses; and competitive conditions.